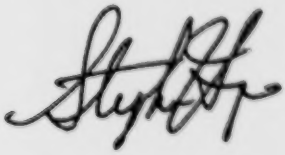
Privy Council Office

(and Public Appointments Commission Secretariat)

2006-2007

Departmental Performance Report



The Right Honourable Stephen Harper
Prime Minister of Canada

Prime Minister's Message

The Privy Council Office (PCO) occupies a unique role in Canada's Public Service. It provides high-quality, non-partisan, professional advice to the Prime Minister and portfolio ministers, ensures the smooth and effective functioning of the government's day-to-day operations, supports the Cabinet system and leads Public Service Renewal.

Over the past year, the employees of the Privy Council Office have provided significant advice and support in the development and implementation of the Government's agenda, including our five key priorities as well as *Advantage Canada*, a long-term plan to help Canadians build a strong economy, Budget 2007, the environment and democratic reform. PCO employees also provided secretariat support and advice for Cabinet committees, including the new Environment and Energy Security Committee, as well as for the management of significant parliamentary issues and high-level international meetings and delegations.

In presenting the *2006-2007 Departmental Performance Report* for the Privy Council Office, I provide you with a summary of the achievements of the Privy Council Office in meeting its objectives, as outlined in the *2006-2007 Report on Plans and Priorities*. I am also pleased to present the *2006-2007 Departmental Performance Report for the Public Appointments Commission Secretariat*, included in this report.

As I report on the ongoing accomplishments of the Privy Council Office and the Public Appointments Commission Secretariat, I would like to thank all the employees who have consistently demonstrated a high level of professionalism and expertise to support Canada's New Government and all Canadians.

Privy Council Office

2006-2007

Departmental Performance Report

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Section I

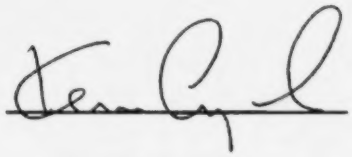
Overview

Management Representation Statement

I submit, for tabling in Parliament, the *2006-2007 Departmental Performance Report* (DPR) for the Privy Council Office.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the TBS guidance;
- it is based on the Department's approved Program Activity Architecture structure as reflected in its Management, Resources, and Results Structure (MRRS);
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.



Kevin G. Lynch
Clerk of the Privy Council and Secretary to the Cabinet

Summary Information

Raison d'être

The mandate of the Privy Council Office (PCO) is as follows:

> To serve Canada and Canadians by providing the best professional, non-partisan advice and support to the Prime Minister, the ministers within the Prime Minister's portfolio, and the Cabinet. PCO supports the development of the Government's policy agenda; coordinates responses to issues facing the Government and the country; and supports the effective operation of Cabinet. As the Head of the Public Service, the Clerk of the Privy Council and Secretary to the Cabinet serves as the principal link between the Prime Minister and the Public Service.

PCO contributes significantly to the implementation of a clearly articulated agenda of Government policy, coordinates timely responses to issues facing the Government and the country, and supports the effective operation of the Cabinet and the government. PCO works to maintain the highest professional and ethical standards in the federal Public Service and to ensure that the Prime Minister and ministers within the Prime Minister's portfolio receive the best quality, consistent, appropriate and non-partisan policy advice and objective recommendations.

The main roles of PCO are to:

- provide professional, non-partisan advice to the Prime Minister and other ministers in the Prime Minister's portfolio, and to Cabinet, on questions of national, intergovernmental and international importance;
- manage the Cabinet's decision-making system by challenging and coordinating departmental policy, legislative and communications proposals, conducting policy and communications analysis, and providing secretariat services to the Cabinet and Cabinet committees;
- provide advice on the appropriate structure and organization of the government and its entities;
- advance the development of the Government's agenda across federal departments and agencies and with external stakeholders;
- help foster a high performing and accountable Public Service for the 21st century;
- manage the appointment process for senior positions in federal departments, Crown corporations and agencies; and
- provide administrative support to the Prime Minister's Office, ministers' offices within the Prime Minister's portfolio, commissions of inquiry, task forces and other independent bodies considering matters associated with good governance in Canada.

Resource Summary

PCO is funded through appropriation and statutory votes. Therefore, at year end, any unspent funding lapses and all its revenues (since PCO does not have authority to spend revenues) are reported under the Consolidated Revenue Fund.

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
129,296	148,359	135,561

Human Resources (full-time equivalents)

Planned	Authorities	Actual
916	945	904

The 2006-2007 Departmental Performance Report (DPR) and financial statements were prepared based on Treasury Board Secretariat reporting requirements for Program Activity Architecture (PAA) and reflect the Management, Resources and Results Structure (MRRS) for PCO. As a result, in the 2006-2007 DPR and financial statements, charges for Corporate Services activities have been distributed among Program Activities. Moreover, services received without charge from other departments have been distributed among Program Activities in the 2006-2007 financial statements only.

Strategic Outcome for 2006-2007

Toward effective government policies and operations, the Privy Council Office ensures that decision making by the Prime Minister and Cabinet is well supported and the institutions of executive government are well supported and maintained.

Overall Departmental Performance

PCO focused on four **priorities** over the course of the year:

- Support the Prime Minister in exercising his overall leadership responsibility
- Improve the management and accountability of government
- Focus on key policy areas and strengthen medium-term policy planning
- Strengthen PCO's internal management practices

PCO **supported the Prime Minister in exercising his overall leadership responsibility** in a number of key areas, most notably by providing policy and legal advice on the structure and organization of Cabinet, Cabinet committees and Cabinet decision making, including the changes to the Ministry in January 2007; on the creation of a new Cabinet committee; and on the

structure and organization of government entities (e.g. the Mental Health Commission, a federal ombudsman for victims of crime and a veterans' ombudsman). PCO developed and implemented the Government's democratic reform agenda, worked on the further refinement of the Governor-in-Council appointment process, and coordinated the Government of Canada's security and intelligence activities to support the Prime Minister in his responsibility for the security of Canada and Canadians. PCO support also extended to providing advice and support to the Prime Minister regarding honours and medals, such as United Nations and NATO medals for service performed abroad.

PCO contributed to the **improvement of the management and accountability of government** by providing the Prime Minister with advice and support in developing and implementing one of the Government's top priorities, the Federal Accountability Act. This included policy and legal advice on provisions relating to conflict of interest, the appointment of agents of Parliament, ministerial exempt staff, whistleblower elements, elections returning officers, and the Public Appointments Commission as well as guidance for the newly created position of Accounting Officer. PCO also provided the Prime Minister with advice and support on the expected conduct of ministers, secretaries of state and parliamentary secretaries.

Over the course of the year, PCO continued to provide **support for key policy areas** through its involvement with a multitude of other government and non-governmental organizations on a wide variety of issues that were a high priority for the Government. PCO particularly focused on supporting the Government in the implementation of its five key priorities for Canada. Key aspects of this work are described in Section II under Program Activity Three - Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda. PCO also supported the Government in effectively communicating its agenda and priorities to Canadians, and ensuring that the Prime Minister and his office understood the views, concerns and priorities of Canadians.

In the area of **strengthening internal management practices**, PCO made progress in implementing the Public Service Modernization Act, as planned. However, despite increased efforts in the areas of performance measurement, audit and evaluation, and access to information requests, PCO was not able to complete all plans as described in the 2006-2007 Report on Plans and Priorities (RPP). In particular, development of the performance measurement strategy was delayed because of the need to design a new program activity architecture based on the new organizational structure. The establishment of the audit and evaluation infrastructure was delayed due to the decision to adopt a stand-alone function as opposed to the previous plan to share services with other central agencies. Finally, efforts have been made to strengthen capacity to respond to access to information requests, but progress was slower than expected due to a number of factors. Further information on performance in all these areas can be found on pages 39 and 40.

PCO also continued to deliver its core activities of providing advice and support to the Prime Minister, ministers in his portfolio, Cabinet and Cabinet committees. A reorganization and downsizing, initiated in the last quarter of 2005-2006, was continued during the first quarter of 2006-2007. In order to focus on PCO's core activities, thereby returning to its traditional central agency role in supporting the Prime Minister, a number of secretariats and teams were reassigned

from PCO to departments and agencies with mandates associated with their areas of activity. As a result, the organizations received additional resources and expertise, while PCO was positioned to more effectively carry out its core mandate. The Treasury Board Secretariat, during its annual evaluation of the state of management, based on the Management Accountability Framework, commented that PCO's performance in this exercise was notable.

The Clerk, as Head of the Public Service, has identified public service renewal as one of the key priorities for the government over the next few years and committed to a continuing process of change and renewal that will take the Public Service well into the new century. The ultimate goal of this broad process of renewal is excellence in the support of Canada's government, excellence in the delivery of programs and services, and excellence in regulation and policy development. A number of activities occurred over the past year to support this commitment, and are detailed in Section II under Program Activity Four - As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians.

The performance summary presented in the chart below lists PCO's major priorities and expected results, together with the resources associated with each priority.

Summary of Performance in Relationship to PCO's Priorities

Priorities	Program Activity[1]	Expected Result	Status	2006-2007 (thousands of dollars)		
				Planned Spending	Total Authorities	Actual Spending
Support the Prime Minister in exercising his overall leadership responsibility Ongoing	A.1 A.2	Cabinet decision making and legislative agenda are supported The Prime Minister and ministers receive information and sound advice in support of decision making	Successfully met	32,143	37,601	41,127
Improve the management and accountability of government Ongoing	A.2 A.4	The Prime Minister and ministers receive informed and sound advice in support of decision making The overall development of the Public Service is fostered	Successfully met	10,445	11,513	9,567
Focus on key policy areas and strengthen medium-term policy planning Ongoing	A.1 A.2 A.3 A.4	Cabinet decision making and legislative agenda are supported The Prime Minister and ministers receive informed and sound advice in support of decision making Cabinet receives informed and sound advice on the development and implementation of the policy agenda The overall development of the Public Service is fostered	Successfully met	61,297	59,644	51,893
Strengthen PCO's internal management practices Ongoing	A.1-A.5 A.6	The Prime Minister's Office and the offices of the portfolio ministers receive appropriate financial and administrative support Commissions of inquiry receive appropriate support	Ongoing[3]	12,647	26,442	21,162
All other PCO activities[2]	-			12,764	13,159	11,812
Total PCO Planned Spending				**129,296**	**148,359**	**135,561**

1. Program Activity Descriptions
   - A.1 Support for Cabinet decision making and legislative agenda (page 17)
   - A.2 Advice to the Prime Minister and ministers on issues, policies, machinery and appointments (page 20)
   - A.3 Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda (page 24)
   - A.4 As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians (page 28)
   - A.5 Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support (page 30)
   - A.6 Provide commissions of inquiry with appropriate administrative support (page 32)
2. PCO is reporting only on key departmental priorities in this DPR. Therefore, the category "All other PCO activities" includes the direct costs of all remaining functions related to the Prime Minister's Office and ministers' offices. These costs relate to salaries and wages ($8.9 million), other operating expenditures ($1.1 million), and employee benefit plans and other statutory items ($1.8 million).
3. It is difficult to assign a single rating of met or not met because this priority includes 4 plans that are very different in nature (i.e. performance measurement, audit and evaluation, Public Service Modernization Act, and Access to Information and Privacy requests) and all plans have a different performance status. (Further information is available on pages 39 and 40).

Working Environment and Context

PCO's priorities depended in large part on the Government's agenda and were influenced by a variety of external and internal drivers, which are described below.

Addressing government-wide priorities

PCO works to ensure government-wide focus on the key priorities. During 2006-2007, PCO supported the implementation of the Government's agenda: the 2006 budget that controlled spending, lowered taxes and made strategic investments; crime and safety initiatives and legislative reform; accountability and democratic reform; international leadership; and the environment. PCO also supported the newly created Cabinet Committee on the Environment and Energy Security.

Public expectations for increased government accountability

Canadians expect their government to provide effective, efficient and timely services. At the same time, they expect their government to make sound decisions, to be transparent and to account for the use of their taxes.

Recent years have seen an erosion of trust and confidence in government, which has resulted in clear demands from Canadians for more accountability and transparency and has led to an unprecedented focus on improving management performance. It is critical, however, to ensure that the initiatives put in place to strengthen accountability are balanced with the need to ensure an environment that encourages innovation.

With the implementation of the Federal Accountability Act and associated Action Plan, the Government began a major transformation of its accountability to Canadians. The implementation of the Act will bring increased discipline to government operations and lead to strengthened confidence of Canadians in their government and in public institutions.

Accelerating technological shifts

With technological shifts and advances, new tools are available that not only increase the expectations of Canadians for information and services but also create an expectation for speedy decisions, immediate responses from government, transparency in government operations, and public engagement in decision making. These changes will require a public service that is flexible, agile, innovative and focused on excellence.

Complexity of issues

Although the priorities of the Government are clear and focused, the business of governing in a modern society is inevitably complex. Canada is an immense, regionally varied country with two official languages, an important Aboriginal population and a rapidly changing population mix because of immigration. There is also increased interdependence among governments and a

convergence of sectors that are changing relationships and policy design, such as issues related to climate change, competitiveness, biotechnology, border security and others. As well, decision makers are faced with varying pressures, constantly evolving international circumstances, budget limits and often conflicting and competing demands and expectations. Finally, the Government faces a minority situation in both the House of Commons and the Senate. To deal with this level of complexity, PCO must support integration within the federal government community, and encourage teamwork within and across departments and agencies.

Societal and demographic changes

The federal Public Service is impacted by societal and demographic changes that are reshaping the face of Canada. The median age of the Canadian population has risen steadily since 1966, reaching 39.5 years in 2006. According to the 2006 Census, the 65-and-over population made up a record 13.7 percent of the total population of Canada in 2006. Never before has Canada had so many persons aged 80 years and over (1.2 million in 2006). With the baby boomers aging and fewer young people in the working-age population, the potential exists for shortages in certain occupations. For example, 33.5 percent of federal public servants will be eligible to retire by March 2009.

Canada is becoming more ethnically and culturally diverse. Between 1981 and 2001, there was a threefold increase in the number of individuals who identified themselves as visible minorities. Moreover, between 1996 and 2001, the visible minority population grew at a rate six times faster than the total population.

An excellent public service is marked by a diversity of linguistic, geographical and cultural views in order to represent Canadian society. It is also enhanced by knowledge of the demographic changes that are occurring in Canadian society. To this end, PCO is supporting the public service renewal priority both across government and within PCO itself.

Challenges and risks

The responsibility of PCO to support the Prime Minister and Cabinet and provide leadership for the Public Service means it must be capable of operating 24 hours a day and seven days a week. There are many reasons why government must be prepared to respond to any exigency, ranging from natural disasters (e.g. ice storms) to accidents (e.g. power interruptions) to deliberate actions (e.g. terrorism). Consequently, efforts are underway in the area of emergency preparedness to continually improve PCO's capacity to provide support and advice, regardless of the situation.

To fulfill its role of providing sound policy advice and support to the Prime Minister and the Cabinet, PCO relies extensively on its ability to attract, recruit and retain high-calibre policy analysts and advisors with specific subject-matter expertise who possess the experience, knowledge, analytical capability, ability to work under pressure and, above all, the dedication to provide exceptional quality. Due to the workforce demographic and the high-pressure nature of the work, PCO, like many departments and agencies, is challenged to fully staff its organization and, therefore, is turning its efforts to strategic human resources planning to address this

situation. Because of risks associated with loss of corporate memory due to retention challenges, PCO also focuses on developing strong capabilities in information, records and library management to support staff in providing advice and recommendations.

Alignment of PCO's Outcome with Government of Canada Outcomes

Canada's Performance Report to Parliament describes the federal government's contribution to Canada's performance as a nation by providing an overview of how individual departments and agencies contribute to broader, government-wide outcomes in the following key policy areas: economic affairs, social affairs, international affairs and government affairs (federal organizations that support all departments and agencies).

PCO's strategic outcome is aligned with the Government of Canada outcome number four: "Government Affairs." PCO plays an important, supportive role to ensure a whole-of-government approach and integrated response to issues that affect Canadians. It works across portfolio boundaries and helps other government departments and agencies meet their responsibilities, deliver on their core mandates and, ultimately, serve Canadians better.

Section II

Analysis of Program Activities by Strategic Outcome

Introduction

It should be noted that the information on PCO's performance, resources and results in this DPR is based on the Program Activity Architecture (PAA) that was approved by the Treasury Board Ministers on August 30, 2005, and was used in the 2006-2007 Report on Plans and Priorities.

Program Activity Architecture for PCO

Strategic Outcome	Program Activity	Actual Spending 2006-2007 (thousands of dollars)
Toward effective government policies and operations, the Privy Council Office ensures that decision making by the Prime Minister and Cabinet is well supported and the institutions of executive government are well supported and maintained	Support for Cabinet decision making and legislative agenda	5,396
	Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	54,894
	Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	25,589
	As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	8,839
	Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	27,574
	Provide commissions of inquiry with appropriate administrative support	13,269

The Privy Council Office modified its PAA to better reflect its role, core mandate and program activities across the organization. The revised PAA was approved by Treasury Board ministers in May 2007 and will be implemented in the fiscal year 2008-2009.

Strategic Outcome

Strategic Outcome	**1. The Government's agenda and decision making are supported and implemented and the institutions of government are supported and maintained.**			
Program Activity	**1.1 The Prime Minister and portfolio ministers** Provide professional, non-partisan policy advice and support to the Prime Minister and Portfolio Ministers.	**1.2 The Cabinet** Provide policy advice and secretariat support to Cabinet and Cabinet committees.	**1.3 The Public Service** Provide overall leadership and direction to the Public Service in support of the Government's agenda.	**1.4Commissions of Inquiry** Provide commissions of inquiry with administrative and financial support.

Program Activity One
Support for Cabinet decision making and the legislative agenda

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
5,775	5,944	5,396

Human Resources (full-time equivalents)

Planned	Authorities	Actual
48	48	44

Description

PCO is the guardian of the Cabinet decision-making process and carries out a coordination function, providing Cabinet and its committees with the support required to prepare for and conduct meetings.

PCO provides consultations, planning, research and advice to facilitate decision making and the development of legislation, including legal review and advice. PCO also provides advice and support for the management of the Government's legislative and parliamentary agenda to the Prime Minister, the Leader of the Government in the House of Commons and Minister for Democratic Reform, the President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister of Western Economic Diversification, the Leader of the Government in the Senate and Secretary of State (Seniors), and the Secretary of State and Chief Government Whip.

Expected Result	Priorities Supported (2006-2007 RPP)	Performance Indicators
Cabinet decision making and legislative agenda are supported	Support the Prime Minister in exercising his overall leadership responsibility	Report in the DPR on: • consultation, coordination and integration mechanisms managed by PCO in support of Cabinet decision making and the development of legislation • legislative achievements in relation to the legislative agenda • changes made to Cabinet decision-making structures

PCO's achievements in providing effective and efficient support to Cabinet and Cabinet decision-making processes are as follows: provided secretariat support to the Cabinet and Cabinet committees as well as policy advice to the chairs of Cabinet committees and the Prime Minister; provided advice on the Cabinet committee structure, including the creation of a new Cabinet Committee on the Environment and Energy Security; performed a challenge function on policy and legal advice and worked to ensure that a standard of quality was met for the policy and legislative proposals put before Cabinet committees; and continued to provide Cabinet committees with timely information to support decision making and improve the efficiency of meetings. In addition to the ongoing secretariat support for 178 regular meetings of full Cabinet and Cabinet committees, PCO organized several planning retreats including a Cabinet retreat at the Citadel in Quebec City in June 2006. PCO continued to provide Cabinet committees, the Leader of the Government in the House of Commons and Minister for Democratic Reform, the Leader of the Government in the Senate and Secretary of State (Seniors), and the Prime Minister with policy advice and support for the adoption of legislation related to key Government priorities. In 2006-2007, the Government introduced 56 bills which included measures to implement the Government's top priorities, such as the Federal Accountability Act, the reduction in the GST, the Universal Child Care Benefit, democratic reform, and ensuring Canadians have safe streets and communities.

The following chart details the number of Government bills introduced and passed. PCO provided support for the bills at all stages.

Statistics on Activities Related to Legislation			
	2004-2005	**2005-2006**	**2006-2007**
Government bills introduced	52	45	56
Government bills passed	30	37	21

The Orders in Council Division provides secretariat services to the Treasury Board Cabinet Committee in relation to the approval of Orders in Council (OIC), regulations and other statutory instruments, and provides advice on the use of Orders in Council and/or Instruments of Advice.

The division produces and distributes OICs, prepares a weekly agenda for submission of these documents to the Treasury Board, transmits Orders and Instruments to the Governor General for final approval, and administers the responsibilities of the Clerk of the Privy Council that are set out in the Statutory Instruments Act regarding the registration and publication of regulations in Part II of the *Canada Gazette*.

Orders in Council*			
	2004-2005	**2005-2006**	**2006-2007**
Total OICs approved	1,694	2,046	1,634

*Orders in Council: a legal instrument made by the Governor-in-Council pursuant to a statutory authority or, less frequently, the royal prerogative. All Orders in Council are made on the recommendation of the responsible minister of the Crown and take legal effect only when signed by the Governor General. (Orders in Council include appointments, regulations and other orders, e.g. approved by the Treasury Board Cabinet Committee).

PCO supports the Clerk in his role as custodian of Cabinet confidences from current and previous ministries and is responsible for providing advice on policy and legal issues relating to Cabinet confidences. PCO serves as the primary point of contact for all federal departments and agencies regarding contentious issues involving Cabinet confidences. It is also responsible for ensuring that deadlines imposed by either the Courts under the Canada Evidence Act or by the legislative requirements of the Access to Information Act and the Privacy Act are met on an ongoing basis and that provisions of those statutes are properly applied by PCO officials. The following chart indicates the need to review documents for cabinet confidences is increasing.

Number of pages of documents reviewed for Cabinet confidences (s. 69 of the Access to Information Act and s. 70 of the Privacy Act)		
2004-2005	**2005-2006**	**2006-2007**
72,850	112,073	170,330

Number of pages of documents reviewed for Cabinet confidences (s. 39 of the Canada Evidence Act)		
2004-2005	**2005-2006**	**2006-2007**
37, 055 (approx.)	31,785 (approx.)	49,278 (approx.)

Program Activity Two

Advice to the Prime Minister and ministers on issues, policies, machinery and appointments

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
59,598	62,670	54,894

Human Resources (full-time equivalents)

Planned	Authorities	Actual
433	441	395

Description

PCO serves as the department for the Prime Minister and also supports ministers in the Prime Minister's portfolio including the Leader of the Government in the House of Commons and Minister for Democratic Reform, the President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister of Western Economic Diversification, the Leader of the Government in the Senate and Secretary of State (Seniors), and the Secretary of State and Chief of Government.

It consults with key stakeholders, coordinates advice across government departments and agencies, and provides strategic policy, expenditure and communications advice on social, economic, environment, security and intelligence, foreign and defence issues and intergovernmental relations. It provides support for the democratic reform agenda.

PCO also provides policy and legal advice to the Prime Minister with respect to the exercise of prerogative matters, including those related to machinery of government, legislation and appointments of senior personnel.

PCO provides the Prime Minister and senior officials with legal advice on significant litigation and advisory matters. PCO provides legal and policy advice to the Prime Minister with respect to the operation of the Inquiries Act, including the establishment, terms of reference, operation and funding of commissions of inquiry.

Expected Result	Priorities Supported	Performance Indicators
The Prime Minister and ministers receive informed and sound advice in support of decision making	• Support the Prime Minister in exercising his overall leadership responsibility • Focus on key policy areas and strengthen medium-term policy planning • Improve the management and accountability of government	Report in the DPR on: • the consultation, coordination and integration mechanisms managed by PCO in support of Cabinet decision making • issues managed by the Prime Minister and Cabinet with PCO support

Organization and structure of government entities

Throughout 2006-2007, PCO supported the Prime Minister in the exercise of his prerogative pertaining to the organization and structure of government entities ("machinery of government"), the reassignment of ministers during the January 2007 Cabinet shuffle and the appointment of six new secretaries of state, the setting of the ministers' mandates, the organization of Cabinet and its committees, ministerial accountability and responsibility, and policy issues. In addition, PCO provided the Prime Minister with advice and support in relation to the creation of a wide range of new entities, such as independent, arm's-length entities (dealing with cancer and mental health), Crown corporations (Corporation for the Mitigation of the Mackenzie Gas Project Impacts), ombudsmen (for veterans and for victims of crime) and advisory bodies (National Seniors Council). PCO also assisted the Prime Minister in ensuring Parliament's approval of legislation establishing the Public Health Agency of Canada.

PCO provided advice on the realignment of existing entities and resources to optimize service delivery. For example, resources for Aboriginal economic development were transferred from Industry Canada to Indian and Northern Affairs Canada; similarly, government funding for Aboriginal representative organizations was consolidated within the same portfolio.

To effectively support the Prime Minister as the head of government, PCO focused on its traditional central agency function. To this end, a number of secretariats and teams were reassigned in the first quarter of 2006-2007 from PCO to departments and agencies with a mandate associated with their areas of activity (e.g. the National Science Advisor Secretariat was transferred to Industry Canada, while the Policy Research Initiative was transferred to Human Resources and Social Development Canada). The reduction in spending attributed to the return of PCO to core functions is $13.4 million. Further explanations on the reorganization can be found in Table 1 in Section III.

PCO provided policy and legal advice on the principles of the Westminster system of government and the roles and responsibilities of deputy ministers, as well as advice and support in publishing *Accountable Government: A Guide for Ministers and Secretaries of State*. PCO also supported the Prime Minister and the Government with respect to the Federal Accountability Act, including advice on provisions relating to: conflict of interest; the appointment of agents of Parliament; accounting officers; ministerial exempt staff; whistleblower elements; elections returning officers; and the Public Appointments Commission.

Governor-in-Council selection and appointment process

In support of the Government's commitment to making qualified appointments following selection processes that are widely publicized and fairly conducted, PCO took concrete steps in 2006-2007 to further refine the Governor-in-Council (GIC) appointment process. In April 2006, PCO launched a new GIC appointments website where current GIC opportunities are publicized. The website enhanced recruitment of candidates and ensured that selection processes were open and transparent. In addition, a more rigorous selection process for all key positions (i.e. heads of agencies, chairs and chief executive officers of Crown corporations) was implemented whereby all applicants would be screened, and interviews and/or reference checks would be conducted with respect to the most qualified candidates. As a result of these refinements, Canadians across the country now have greater access to current GIC opportunities and are able to participate in professional, competency-based selection processes.

In total, over 50 processes were launched to fill key positions during the period under review, including positions such as the President of the Canadian Space Agency, the Chief Commissioner of the Canadian Human Rights Commission and the Chairperson of the Canadian Radio-television and Telecommunications Commission. During the period under review, a total of 925 GIC appointments were made (excluding auditor appointments). In addition, PCO successfully supported the nomination and appointment processes for three agents of Parliament during this period: the Commissioner for Official Languages, the Information Commissioner and the Chief Electoral Officer.

PCO also provided policy and legal advice and support to the Prime Minister on the development and implementation of key elements of the Federal Accountability Act related to GIC appointments, including the transfer of authority for the appointment of returning officers from the Governor-in-Council to the Chief Electoral Officer; the standardization of the appointment process for agents of Parliament; the establishment of new positions such as the Conflict of Interest and Ethics Commissioner, the Director of Public Prosecutions and the Procurement Ombudsman.

Democratic reform

PCO supported the Prime Minister and the Leader of the Government in the House of Commons and the Minister for Democratic Reform in developing and implementing the Government's democratic reform agenda. This included legislation reforming political financing (part of the Accountability Action Plan), improving the administration of the voting process, and proposing reforms to the Senate of Canada (i.e. fixed length of tenure and consultations with the electorate

about appointments). PCO worked closely with the Department of Justice and with Elections Canada on democratic reform and other electoral matters, and liaised with other governments in Canada and abroad and with academia to examine practices in other jurisdictions. Based on this information, PCO prepared the policy and legal analysis and advice for the Prime Minister and Cabinet for their examination of the issues, and then worked with the Department of Justice to prepare the required legislation. PCO supported the Minister for Democratic Reform in managing the progress of the legislation through the House of Commons and Senate. As a result, nine government democratic reform bills, including two Constitutional amendments, were introduced and scrutinized in Parliament. Four bills received royal assent: reforming political financing (C-2), providing for a review of party registration (C-4), establishing fixed dates for general elections (C-16) and improving administration of the voting process (C-31).

In response to the Throne Speech commitment to involve citizens in examining the challenges facing Canada's electoral system and democratic institutions, PCO was responsible for a nationwide consultation about democratic practices and institutions, including a series of 12 workshops across the country and large-scale public opinion research. The consultation was completed in July 2007 and the results were published in September 2007.

The Québécois as a nation resolution

In November 2006, the Government introduced a motion in the House of Commons on the Québécois as a "nation" within a united Canada. The motion was passed with overwhelming majority support in the House. PCO supported the Government in this process with policy analysis, advice and communications products over a short period of time.

Development and implementation of domestic and international initiatives

PCO supported the Prime Minister in facilitating roughly 30 incoming and outgoing visits and summits to advance Canadian interests in major international forums, foster greater cooperation in North America, and promote closer relations with key partners.

PCO was a key contributor in the development of the Government's western hemisphere engagement strategy. It provided coordination and guidance to the interdepartmental community in the planning, analysis and development of a strategic plan to re-engage with partners in South America, Central America, Mexico and the Caribbean.

PCO supported the Prime Minister by assisting in the coordination of Government efforts related to Canada's engagement in Afghanistan.

Program Activity Three

Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
24,968	25,886	25,589

Human Resources (full-time equivalents)

Planned	Authorities	Actual
157	169	182

Description

PCO staff consult with stakeholders, research issues and prepare briefing material on the Government's policy agenda. PCO staff provide guidance to departments and agencies on the Government's policy agenda; advice to Cabinet and the Prime Minister on the development and coordination of the Government's policy agenda and the Speech from the Throne; and assistance for the development of forward-looking, coherent and integrated medium-term policy advice. PCO also exercises a challenge function with respect to policy proposals and legal analysis brought forward by departments.

PCO ensures that Cabinet documents have been reviewed for legal accuracy, and that draft legal instruments submitted to Cabinet have been reviewed to ensure that they conform to all applicable constitutional and legal requirements.

Expected Result	Priorities Supported	Performance Indicators
Cabinet receives informed and sound advice on the development and implementation of the policy agenda	Focus on key policy areas and strengthen medium-term policy planning	Report in the DPR on: • the consultation, coordination and integration mechanisms managed by PCO in support of policy development • policy achievements and activities

Facilitation of the policy agenda

PCO facilitates the Government's policy agenda in the areas of economic, social, environmental and international policy by ensuring that policy proposals presented to Cabinet and Cabinet committees by departments and agencies are well prepared, complete and consistent with the Government's policy agenda. PCO's facilitation role ensures that policies and programs are positioned effectively within Government priorities while still respecting the leadership and accountability of departments and agencies to implement the policy or program in a way that is

consistent with their areas of responsibility and also respects Treasury Board management policies. In addition, through medium-term policy planning, PCO assists the Prime Minister and Cabinet in defining objectives and priorities for the overall policy agenda.

In assisting departments to develop policy consistent with the Government's agenda, PCO not only provides a challenge function, it also facilitates policy development by providing logistical support to the Clerk of the Privy Council for a range of deputy ministers' meetings. The Clerk chairs several deputy minister committees, which serve to advance integrated policy development in support of Government priorities and medium-term planning; strengthen government-wide policy coherence; and deepen and extend deputy minister and departmental engagement in pursuit of a whole-of-government approach to medium-term management, human resources and policy planning.

In 2006-2007, PCO provided logistical support and policy advice to the Clerk for 15 meetings of the Coordinating Committee of Deputy Ministers, 35 deputy minister breakfast meetings, 47 meetings of deputy ministers, the Clerk and others, and two deputy minister retreats. As well, PCO mandated three deputy minister policy committees that are managed by other departments: the Economic Prosperity, Environment and Energy Committee; the Social Inclusion and Justice Committee; and the Global Affairs, Security and Human Rights Committee.

Social initiatives

Consistent with its mandate, PCO facilitated and coordinated a number of social policy initiatives. It provided advice and support to the Government in developing and advancing a wide range of tackling crime initiatives, including 12 pieces of legislation and other non-legislative initiatives designed to enhance the safety of Canadians, such as $16.1 million in funding to help communities prevent youth crime, with a focus on guns, gangs and drugs. Key to the success of these initiatives were PCO's efforts to help foster support among the provinces and territories for a strengthened criminal justice system, an area of shared jurisdiction.

PCO continued to provide support to Health Canada, Indian and Northern Affairs and the Public Health Agency of Canada, in cooperation with the provinces and territories, to enhance health care. PCO assisted in the implementation of the 10-Year Plan to Strengthen Health Care and the advancement of Patient Wait Time Guarantees, as well as other key initiatives to improve the health of Canadians, such as the Canadian Partnership Against Cancer and the Healthy Living Strategy.

In addition, PCO provided advice and support to Human Resources and Social Development Canada, Indian and Northern Affairs Canada, Veteran Affairs Canada, Health Canada and the Public Health Agency of Canada, and coordinated efforts to move forward the Government's objective of improving the lives of families, children, seniors, veterans and Aboriginal people.

PCO provided significant advice and support to the Government's efforts to create the best educated, most skilled and most flexible workforce in the world in a number of key social policy areas, such as post-secondary education and labour market training.

Economic initiatives

Throughout 2006-2007, PCO provided essential support to departments for a number of key economic initiatives that fell within the Government's policy agenda. PCO provided advice to departments bringing policy and funding proposals forward to two Cabinet committees, the Economic Affairs Committee and the Environment and Energy Security Committee. Of note, these included a plan for greenhouse gas reduction, financial investments in Canadian agriculture and fisheries, and major economic initiatives aimed at increasing Canada's competitiveness and productivity. In this regard, PCO also helped with the implementation of Budget 2006 initiatives, particularly *Advantage Canada,* which included the development of strategies for science and technology, global commerce and infrastructure. PCO provided support for the successful negotiation of a solution to the long-standing softwood lumber dispute with the United States.

Over the course of the last year, the Government brought forward a principle-based approach to the complex issue of restoring fiscal balance in Canada. PCO provided advice and support to Finance Canada, Human Resources and Social Development Canada, Transport, Infrastructure and Communities, Health Canada, Environment Canada and others for the development and definition of the principles that guided the Government in achieving a comprehensive solution to the challenge of restoring fiscal balance in Canada, including support for consultations with the provinces and territories.

International initiatives

During 2006-2007, PCO provided ongoing advice and support to a number of federal departments, including Foreign Affairs and International Trade, the Canadian International Development Agency and National Defence regarding the role of the provinces and territories in international negotiations. PCO worked closely with the Department of Foreign Affairs and International Trade to provide intergovernmental policy and communications advice around negotiation of the May 2006 agreement between the Government of Canada and the Government of Quebec regarding Quebec's participation in Canada's Permanent Delegation to UNESCO [United Nations Educational, Scientific and Cultural Organization].

PCO supported the Cabinet by assisting in the coordination of Government efforts and by advising, developing and assisting in the implementation of policy related to Canada's engagement in Afghanistan. PCO created the Afghanistan Interdepartmental Communications Group in November 2006 to ensure a coordinated whole-of-government approach and to build better awareness and understanding among Canadians of Canada's involvement in the international mission in Afghanistan. Since its inception, it has provided strategic communications direction and guidance, and coordinated the communications activities of the government's three lead departments: the Canadian International Development Agency, Foreign Affairs and International Trade, and National Defence. This group has now moved to the Department of Foreign Affairs and International Trade under the Associate Deputy Minister, who was appointed the Prime Minister's Interdepartmental Coordinator for Afghanistan in February 2007.

PCO was involved in the coordination and policy development behind the successful evacuation of almost 15,000 Canadian nationals from the Lebanon war zone between July 9 and August 15, 2006, which was the largest in Canadian history.

PCO carried out its coordination function for the Government's intelligence activities by working closely with key departments and agencies, building and maintaining effective relationships with our allies, providing advice to the Prime Minister on priorities and preparing assessments of foreign developments that have the potential to effect Canadian interests.

Program Activity Four

As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
7,914	7,697	8,839

Human Resources (full-time equivalents)

Planned	Authorities	Actual
55	55	58

Description

The Clerk of the Privy Council serves as the principal link between the Prime Minister and the Public Service of Canada, and is responsible for the quality of expert, professional and non-partisan advice and service provided by the Public Service to the Prime Minister.

PCO staff consult stakeholders, research issues and work with responsible agencies to provide advice on the development and implementation of the overall management agenda for the Public Service and its human resources management policies and programs.

Expected Result	Priorities Supported	Performance Indicators
The overall development of the Public Service is fostered	Improve the management and accountability of government	Report in the DPR on: • the consultation, coordination and integration mechanisms managed by PCO to provide advice on Public Service human resources management • achievements and activities • Annual Report to the Prime Minister on the Public Service of Canada

As part of its role in assisting departments to develop policy consistent with the Government's agenda, PCO supports the Clerk in strengthening the Public Service's culture of teamwork and leadership by coordinating policy, planning and information-sharing meetings for the community of deputy ministers. To help move the Government's agenda forward, the Clerk works closely with the deputy minister community, fostering cohesion through retreats, regular meetings and the establishment and management of key deputy minister committees.

As well, the Clerk is responsible for the strategic management of senior public service personnel, notably with respect to succession planning and performance management, through the Committee of Senior Officials. The Clerk introduced enhancements to the Performance Management Program for deputy ministers and associate deputy ministers to make the program more rigorous and objective. In addition, improvements were made to the Performance Management Program for Chief Executive Officers of Crown Corporations. The Clerk also established horizontal commitments for all deputy ministers in the areas of public service renewal, portfolio coordination and excellence in management.

Over the course of the year, the Clerk established the following four priorities to address Public Service Renewal: planning, recruitment, employee development and enabling infrastructure. PCO staff work with all departments and agencies to ensure that these four priorities are implemented successfully across government.

Several important processes were put into place under the Clerk's leadership in order to advance Public Service Renewal, a key and dominant theme over the past year. Early in the fiscal year the Deputy Ministers' Committee on Public Service Renewal was established, chaired by the Associate Secretary to the Cabinet, as the senior committee overseeing and driving the renewal process. Since then the committee has met regularly to discuss renewal approaches and to establish priorities for the short-, medium- and long-term.

In November 2006, the Prime Minister announced the creation of the Prime Minister's Advisory Committee on the Public Service, which brings together senior leaders with a wide range of experience both inside and outside of government, to advise on the renewal and future development of the Public Service. Its work complements the work of the Deputy Ministers' Committee and brings new insights and perspectives to the renewal effort. The advisory committee met once in person and several times by teleconference and made a report to the Prime Minister that was published as an annex to the Clerk's Fourteenth Report to the Prime Minister. The advisory committee chose to concentrate initially on the important topic of recruitment.

Following advice from these committees, and deliberations and consultations with a wide range of interested parties, the Clerk submitted his Fourteenth Annual Report to the Prime Minister on March 30, 2007. The report reviews the drivers for renewal and the processes set up to tackle the task and establishes a set of short- and medium-term priorities focused on planning, recruitment, employee development and enabling infrastructure. These actions have set the stage for tangible progress in realizing renewal targets in the 2007/2008 fiscal year.

In addition, the Clerk fulfills his role as Head of the Public Service by acting as the key spokesperson for the Public Service on numerous occasions throughout the year. Examples include speeches to the Assistant Deputy Minister Forum meetings, the Canadian Chamber of Commerce and the Ottawa Alumni of McMaster University, as well as participation at meetings of the Association of Professional Executives of the Public Service of Canada.

Program Activity Five

Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
27,757	29,092	27,574

Human Resources (full-time equivalents)

Planned	Authorities	Actual
218	217	205

Description

PCO staff provide financial and administrative support to the Prime Minister's Office and the offices of portfolio ministers.

Expected Result	Priorities Supported	Performance Indicators
The Prime Minister's Office and the offices of the portfolio ministers receive appropriate financial and administrative support	Strengthen PCO's internal management practices	Narrative reporting in the DPR

PCO provided financial and administrative support to the Office of the Prime Minister as well as to the offices of portfolio ministers, the Leader of the Government in the House of Commons and Minister for Democratic Reform, the President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister of Western Economic Diversification, the Leader of the Government in the Senate and Secretary of State (Seniors), and the Secretary of State and Chief Government Whip.

PCO provided support to the Prime Minister as Head of Government. It coordinated the liaison with ministers and managed domestic and international issues and communications as well as scheduled and coordinated travel, speeches and meetings. Funding also includes the operation of the Official Residences of the Prime Minister. However, the National Capital Commission is responsible for maintenance, heating and repairs to the Prime Minister's Official Residences.

PCO provided full logistical support when the Prime Minister was travelling, including advance preparatory planning within and outside Canada, secure voice and data communications, computers, printers, facsimile and photocopying machines and portable radio communications.

Support also included the broadcast sound, lighting and recording of all speeches by the Prime Minister in Canada and abroad.

General services provided to all portfolio ministers include, among others, purchasing of goods, contracting for services, processing financial transactions, supplying computers and peripherals including technical support, printing, translation, security, mail delivery and messenger services.

The Office of the Prime Minister as well as the ministers' offices were provided with correspondence support that included receiving and responding to telephone calls, email messages and letters. PCO continued to strengthen management practices by optimizing technology to deal with the increasing volume of correspondence, while maintaining established service standards. The chart below illustrates the year-over-year fluctuation in correspondence-related activities.

Summary of Correspondence Activities

Fiscal Years	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Correspondence Received*					
Prime Minister	**1,701,846**	**2,116,118**	**1,567,747**	**1,189,896**	**1,649,839**
Postal mail	611,842	1,064,838	739,512	724,650	1,254,621
Email	1,064,455	1,028,840	807,243	437,551	371,165
Telephone calls	25,549	22,440	20,992	27,695	24,053
President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, and Leader of the Government in the House of Commons	4,503	4,704	12,243	14,065	4,626
Deputy Prime Minister**		28,951	68,084	15,230	19,476
Grand Total	**1,706,349**	**2,149,773**	**1,648,074**	**1,219,191**	**1,673,941**
Correspondence Sent*					
Prime Minister	**112,079**	**78,617**	**104,818**	**163,435**	**148,592**
Postal replies	31,597	33,558	37,220	107,512	90,871
Email replies	80,482	45,059	67,598	55,923	57,721
President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, and Leader of the Government in the House of Commons	792	310	852	1,940	2,610
Deputy Prime Minister**		2,940	3,204	3,755	1,289
Grand Total	**112,871**	**81,867**	**108,874**	**169,130**	**152,491**

* There is a variance between the correspondence received and the correspondence sent because of the nature of the correspondence (for example, petitions, thank you letters and other messages that do not require a response).

**Correspondence support to the Deputy Prime Minister was discontinued in 2006 because the position of Deputy Prime Minister was discontinued.

Program Activity Six
Provide commissions of inquiry with appropriate administrative support

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
3,284	17,070	13,269

Human Resources (full-time equivalents)

Planned	Authorities	Actual
5	15	20

Description

PCO staff provide the required services to commissions of inquiry (from initial start-up to conclusion).

Expected Result	Priorities Supported	Performance Indicators
Commissions of inquiry receive appropriate support	Strengthen PCO's internal management practices	Narrative reporting in the DPR

Although the actual spending reflects the total cost of the commissions of inquiry, this document reports strictly on PCO's role, which is to support commissions of inquiry, task forces and others. Because these entities are independent, this report does not provide information relating to their mandate, work priorities or performance. This type of information is found on the individual commission websites, as indicated below.

Commissions of inquiry, task forces and others receive administrative support from PCO. When such an entity is created, PCO is responsible for initiating arrangements for accommodation, furnishings and equipment to ensure the work of the commission, task force or inquiry proceeds efficiently.

PCO also ensures that administrative advice and support are provided to each commission, task force or inquiry on an ongoing basis for hiring staff, acquisition services, contracting, financial services, access to funding, records management, payroll support, posting of transcripts on the Internet, translation, security and systems support. PCO coordinates contribution programs for the payment of legal costs incurred by eligible participants appearing before commissions of inquiry.

During 2006-2007 a review was conducted on the management framework of the contribution programs providing funding to parties and interveners appearing before the Commission of Inquiry into the Sponsorship Program and Advertising Activities and the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar. The findings indicated that the

management framework of the contribution programs implemented by PCO was appropriate and complied with the policy on Transfer Payments. However, some opportunities for improvement were identified with recommendations. PCO accepted all the recommendations and most have already been implemented.

Each commission, task force or other inquiry gathers information and reports under specific terms of reference or undertakes independent projects or studies. During 2006-2007, three commissions were active.

Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar

This commission investigated and reported on the actions of Canadian officials concerning Maher Arar, and made recommendations on an independent, arm's-length review mechanism for the activities of the Royal Canadian Mounted Police with respect to national security. The commission submitted two reports to the Governor-in-Council. The first was released by the Government on September 18, 2006, and the second on December 12, 2006. The commission's operations were greatly scaled back following the submission of the second report. The commission continued to exist pending the Federal Court's decision related to the application brought by the Attorney General of Canada challenging the Commissioner's decision to disclose information to the public in respect of which the Government asserted a claim of national security confidentiality. The Federal Court authorized a partial release of information and an addendum to the commission report was released on August 9, 2007. The commission wrapped up its operations in September 2007. PCO has effectively supported the administrative aspects of the commission. For additional information, please refer to the commission's website: www.Ararcommission.ca

Commission of Inquiry into the Bombing of Air India Flight 182

This commission is looking into certain aspects of the 1985 Air India bombing. Although the terms of reference do not direct the Commissioner to report to the Governor-in-Council by a specific date, the commission plans to submit its report of findings and recommendations by the end of March 2008. PCO has effectively supported the administrative aspects of the commission. For additional information, please refer to the commission's website: www.majorcomm.ca

Internal Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin

This commission was created on December 11, 2006, in order to determine whether the detention of Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin in Syria or Egypt resulted, directly or indirectly, from actions of Canadian officials. The Commissioner's mandate includes a deadline to submit a public and confidential report by January 31, 2008. PCO has effectively supported the administrative aspects of the Commission. For additional information, please refer to the commission's website, www.iacobucciinquiry.ca

Section III

Supplementary Information

Organizational Information

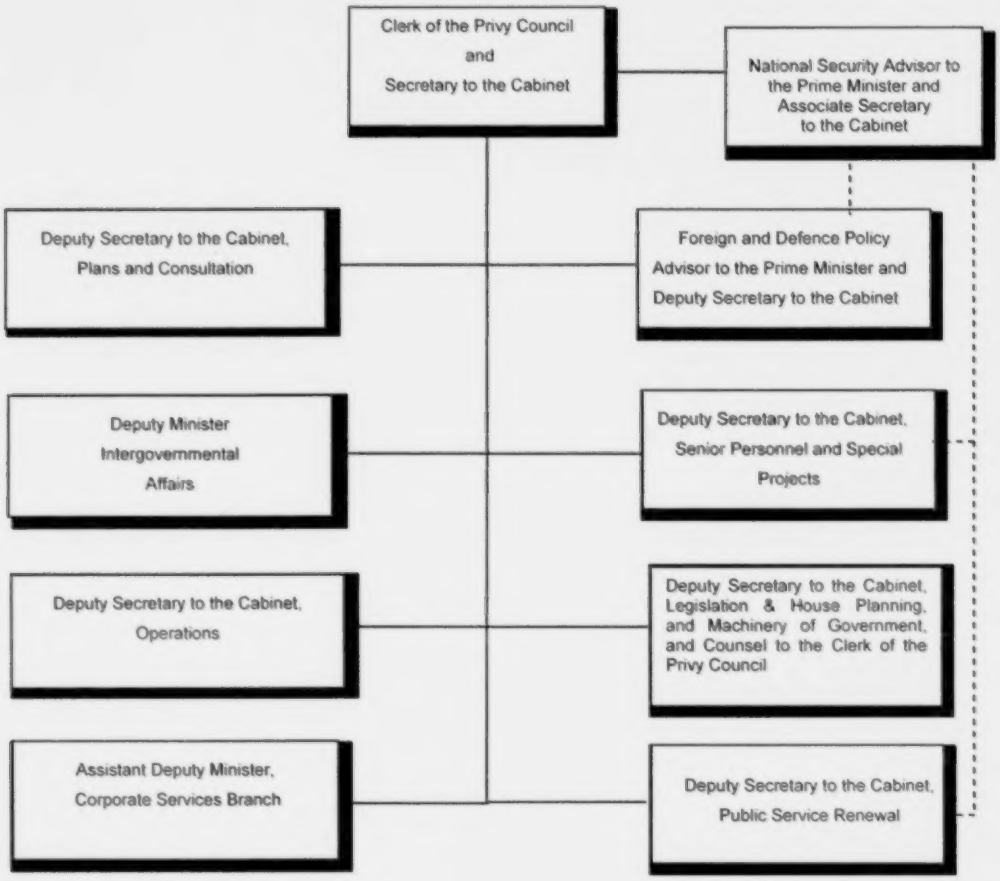
The Privy Council Office reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet.

The Prime Minister's overall responsibility is to provide leadership to create and sustain the unity of the Ministry required to maintain the confidence of Parliament. The Prime Minister demonstrates this leadership in two distinct ways:

- through the exercise of unique authorities as head of Government; and
- through the management and coordination of the Government's agenda, as chair of Cabinet.

The core functions of the Clerk of the Privy Council and Secretary to the Cabinet and those of the entire PCO flow directly from these responsibilities. The strength of PCO is in large measure determined by its ability to concentrate its resources on supporting exclusively these two central responsibilities, in addition to helping the Clerk of the Privy Council and Secretary to the Cabinet fulfill his role as Head of the Public Service.

The PCO organization chart is shown below. Further information on the roles and functions of PCO are available on the PCO website at www.pco-bcp.gc.ca


Clerk of the Privy Council and Secretary to the Cabinet
National Security Advisor to the Prime Minister and Associate Secretary to the Cabinet
Deputy Secretary to the Cabinet, Plans and Consultation
Foreign and Defence Policy Advisor to the Prime Minister and Deputy Secretary to the Cabinet
Deputy Minister Intergovernmental Affairs
Deputy Secretary to the Cabinet, Senior Personnel and Special Projects
Deputy Secretary to the Cabinet, Operations
Deputy Secretary to the Cabinet, Legislation & House Planning, and Machinery of Government, and Counsel to the Clerk of the Privy Council
Assistant Deputy Minister, Corporate Services Branch
Deputy Secretary to the Cabinet, Public Service Renewal

Strengthen Internal Management Practices

One of PCO's four priorities for 2006-2007 was to strengthen internal management practices. Four specific areas for improvement were identified and, while progress was made on every plan and internal management practices were strengthened, not all plans were completed as outlined in the RPP. Therefore the status of performance for this priority needs to be rated as "ongoing" since some of the plans have been implemented while others are in progress and will be completed in 2007-2008.

Strengthen performance measurement and reporting

To better reflect its role and core mandate, PCO undertook an internal reorganization review during 2006-2007, which resulted in the need to revise its Program Activity Architecture (PAA). Since the performance measurement strategy is based on the PAA, development of this strategy was delayed until the new PAA was approved by Treasury Board in May 2007, and will be effective in 2008-2009. PCO is developing and will be submitting its performance measurement strategy as well as its governance structure to the Treasury Board Secretariat by the end of November 2007.

Strengthen internal audit and evaluation functions

In the fall of 2005, the Central Agency Cluster, comprising the Department of Finance, the Treasury Board Secretariat, the Canadian Public Service Agency, the Privy Council Office and the Canada School of Public Service, was created as part of a shared services initiative to implement shared corporate and administrative services. It included the functions of information technology and information management, human resources, finance and administration as well as audit and evaluation. At that time, the Internal Audit and Evaluation Division of the Department of Finance was mandated to lead efforts to implement shared internal audit and evaluation services for the Central Agency Cluster. With the launch of the new internal audit policy on April 1, 2006, further thought was given to the shared services model. In early 2007, subsequent to discussions with the Office of the Comptroller General, PCO hired its own Chief Audit and Evaluation Executive (CAEE). Until the arrival of the new CAEE in May 2007, the Acting Senior Director, Internal Audit and Evaluation Division of the Department of Finance continued to fulfill the role for PCO.

During 2006-2007, initial work was done to prepare PCO for the implementation of the new internal audit policy by April 1, 2009. The terms of reference for the audit and evaluation committee, consistent with the new policy, were approved on February 22, 2007. As well, an internal audit mandate was developed along with preliminary work toward a multi-year risk-based internal audit plan. Four audit and evaluation committee meetings were held in 2006-2007. The examination of the management framework of commissions of inquiry's contribution programs was completed. The audit of information technology security at PCO ended at the preliminary survey phase, as a number of improvements were already being implemented as the result of two other previous studies. The audit on procurement and contracting services will be finalized in 2007-2008.

With respect to evaluation, the new CAEE will establish the requirements for PCO's formal evaluation capacity in 2007-2008 to address the upcoming revised policy. In the meantime, PCO managers undertook a number of management studies in 2006-2007 that were used to inform decision making. These included a thorough review and analysis of PCO's activities against its core mandate in order to maximize its effectiveness and value for money; a management framework review of the contribution program for parties and interveners to commissions of inquiry; a review of PCO media analysis and monitoring; and a preliminary review of the Career on the Move initiative.

Implement the Public Service Modernization Act

The implementation of the Public Service Modernization Act was carried out under the direction of the PCO Executive Committee and a newly created Human Resources Advisory Committee (HRAC), made up of senior PCO managers. The mandate of the HRAC was to oversee the implementation of the new Act and related policies, programs and strategies and to review major human resources changes or proposals. Much of the work was carried out in 2006-2007, but the HRAC continues to be instrumental in setting the direction and reviewing human resources management issues at PCO.

Training packages were developed and delivered to all managers to assist them in carrying out their human resources management responsibilities, including those in staffing, in 2005-2006. Training and information sessions for employees continued until February 2007. Training for new managers continues.

The HRAC played a key role in the development and delivery of a Strategic Human Resources Plan for PCO. The plan was launched in the department on March 29, 2007.

Strengthen PCO's capacity to respond to statutory obligations under the Access to Information Act and Privacy Act

Access to information and privacy (ATIP) have presented PCO with key challenges in recent years. In terms of volume, demand for access to PCO records is on the rise. Increases in the two principal areas of ATIP activity in PCO—access requests and requests for consultations—increased 23 percent and 55 percent respectively in 2006-2007. PCO custodianship of Cabinet Confidences and other ministerial papers also increases the complexity of review and approval processes, with resultant pressures on legislated deadlines. From a human resources perspective, adequate staffing in a competitive job market is a continuing concern.

PCO has demonstrated a renewed and focused commitment to its responsibilities under the Access to Information Act and the Privacy Act. The ATIP Division has been realigned into three responsibility centres to improve performance. Streamlining and optimization of work processes are underway with the introduction of electronic tasking to shorten turnaround, simplification of review and handling procedures with secretariats, and a phased migration to more modern technological tools. To address capacity issues, staffing is underway and an officer development program has been established to build expertise from within. Employee awareness and training about the Acts is also a priority, therefore the new Client Service section has upgraded training materials and is developing ATIP awareness tools to ensure corporate-wide support.

Tables

PCO's departmental performance and resource utilization tables are presented using its strategic outcomes and new Program Activity Architecture (PAA) developed in 2005-2006.

In 2006-2007, the following financial tables were applicable to PCO's operations:

Table 1	Comparison of Planned to Actual Spending (including FTEs)
Table 2	Resources by Program Activity
Table 3	Voted and Statutory Items
Table 4	Services Received Without Charge
Table 5	Sources of Non-respendable Revenue
Table 6	Resource Requirements by Branch
Table 7	Response to Parliamentary Committees, Audits and Evaluation

Note to the reader:

For the year ended March 31, 2007, PCO redefined its program activities. As a result, comparative figures have been reclassified to conform with the new presentation.

Table 1– Comparison of Planned to Actual Spending (including FTEs)

(thousands of dollars)

Activities	Actual Spending 2004-2005	Actual Spending 2005-2006	2006-2007 Main Estimates	2006-2007 Planned Spending	2006-2007 Total Authorities	2006-2007 Actual Spending
Support for Cabinet decision making and the legislative agenda	4,921	6,057	5,514	5,775	5,944	**5,396**
Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	65,641	65,534	70,458	59,598	62,670	**54,894**
Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	29,407	30,845	29,757	24,968	25,886	**25,589**
As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	7,441	8,719	7,231	7,914	7,697	**8,839**
Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	31,154	34,361	33,273	27,757	29,092	**27,574**
Provide commissions of inquiry with appropriate administrative support	25,970	16,802	488	3,284	17,070	**13,269**
Total Planned Spending	**164,534**	**162,318**	**146,721**	**129,296**	**148,359**	**135,561**
Less: Non-respendable revenue	-923	-1,256		-595	-1,581	**-1,581**
Plus: Cost of services received without charge	19,925	22,427		20,828	18,097	**18,097**
Net Cost of Department	**183,536**	**183,489**	**146,721**	**149,529**	**164,875**	**152,077**
Full-Time Equivalents	**1,026**	**1,032**	**1,088**	**916**	**945**	**904**

Variation between the Total Main Estimates and the Total Planned Spending

The decrease of $17.4 million is due to:

- transfers of responsibility to other departments and agencies ($14.6 million) in order to better align activities more directly with the Prime Minister's core responsibilities;
- adjustments to ministers' offices budgets ($5.6 million) to reflect the new ministry; and
- offset by additional funding of $2.8 million related to the Commission of Inquiry into the Actions of Canadians Officials in Relation to Maher Arar.

Variation between the Total Planned Spending and the Total Authorities

The increase of $19.1 million is related to:

- the establishment of a 2006-2007 budget of $13.5 million for the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182;
- funding for the departmental 2005-2006 Operating Budget Carry Forward of $6.3 million;

- compensation for collective bargaining of $1.2 million;
- offset by an adjustment for the transfers of responsibilities to other departments and for the ministers' offices reductions, and for statutory adjustment related to the employee benefit plan of $1.9 million.

The transfers as a result of PCO returning to core activities are detailed below:

Activity	Transferred To	Effective Date	Resources Transferred for 2006-2007		Resources Transferred for Future Years	
			($000)[1]	(FTEs)	($000)[1]	(FTEs)
Official Languages Secretariat	Canadian Heritage	Feb. 1, 2006	1,731[2]	12[2]	1,731[2]	12[2]
Aboriginal Affairs Secretariat	Indian Affairs and Northern Development	Apr. 1, 2006	1,400	11	1,400	11
Policy Research Initiative	Human Resources and Social Development	June 1, 2006	3,077	29	3,776	33
National Science Advisor	Industry	May 8, 2006	475	2	518	2
Borders Task Force	Public Safety and Emergency Preparedness	June 1, 2006	491	4	590	5
Regulatory Affairs -Smart Regulations	Treasury Board Secretariat	July 1, 2006	3,985	19	1,831	15
Regional Offices - Communications	Treasury Board Secretariat	July 1, 2006	2,108	25	2,694	33
Diversity Advisor	Public Human Resources Management Agency	Aug. 1, 2006	167	0	250	0
Total			**13,434**	**102**	**12,790**	**111**

1. Amounts exclude employee benefit plan.

2. For 2008-2009 and future years, resources transferred are $829,000 and 8 FTEs due to sunsetting of certain activities.

Variation between the Total Authorities and the Total Actual Spending

The $12.8 million surplus is explained as follows:

Prime Minister and ministers' offices: $1.4 million surplus
Surplus is attributable to changes in the ministers' offices and an underutilization of resources.

PCO: $7.7 million surplus
The surplus is mainly due to staff vacancies, internal reorganizations that delayed staffing actions and a slowdown of activities in certain areas due to unforeseen circumstances.

Commissions of inquiry: $3.7 million surplus

The surplus is explained as follows:

- The Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar - $1.0 million due to lower than planned expenditures particularly related to legal fees;
- The Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182 - surplus of $3.6 million due to delays in hearings that will now take place in the 2007-2008 fiscal year;
- offset by the Internal Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddini - $0.9 million. This inquiry was funded from within departmental resources.

Variation between the Actual Spending of 2005-2006 and the Actual Spending of 2006-2007

The decrease of $26.8 million is due to:

- a reduction in spending as a result of PCO returning to core functions - $13.4 million;
- adjustments to ministers' offices budgets and an overall reduction in spending - $3.9 million;
- a reduction of expenses related to commissions of inquiry - $3.5 million; and
- a reduction in salary-related costs such as severance and separation pay - $6.0 million.

Table 2 – Resources by Program Activity

(thousands of dollars)

Activities	2006-2007 Operating	Grants & Contributions	Total Gross Expenditures	Total Net Expenditures
Support for Cabinet decision making and the legislative agenda				
Main Estimates	5,514	0	5,514	5,514
Planned Spending	5,775	0	5,775	5,775
Total Authorities	5,944	0	5,944	5,944
Actual Spending	5,396	0	5,396	5,396
Advice to the Prime Minister and ministers on issues, policies, machinery and appointments				
Main Estimates	70,458	0	70,458	70,458
Planned Spending	59,598	0	59,598	59,598
Total Authorities	62,670	0	62,670	62,670
Actual Spending	54,894	0	54,894	54,894
Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda				
Main Estimates	29,757	0	29,757	29,757
Planned Spending	24,968	0	24,968	24,968
Total Authorities	25,886	0	25,886	25,886
Actual Spending	25,589	0	25,589	25,589
As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians				
Main Estimates	7,231	0	7,231	7,231
Planned Spending	7,914	0	7,914	7,914
Total Authorities	7,697	0	7,697	7,697
Actual Spending	8,839	0	8,839	8,839
Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support				
Main Estimates	33,273	0	33,273	33,273
Planned Spending	27,757	0	27,757	27,757
Total Authorities	29,092	0	29,092	29,092
Actual Spending	27,574	0	27,574	27,574
Provide commissions of inquiry with appropriate administrative support				
Main Estimates	488	0	488	488
Planned Spending	3,014	270	3,284	3,284
Total Authorities	16,250	820	17,070	17,070
Actual Spending	12,856	413	13,269	13,269
Total				
Main Estimates	146,722	0	146,722	146,721
Planned Spending	129,026	270	129,296	129,296
Total Authorities	147,539	820	148,359	148,359
Actual Spending	135,148	413	135,561	135,561

Table 2 (Cont'd) – Resources by Program Activity

(thousands of dollars)

	2006-2007			
Activities	**Operating**	**Grants & Contributions**	**Total Gross Expenditures**	**Total Net Expenditures**
Other Revenues and Expenditures				
Non-respendable Revenues				
Main Estimates				0
Planned Spending				-595
Total Authorities				-1,581
Actual Spending				-1,581
Cost of Services Provided by Other Departments				
Main Estimates				0
Planned Spending				20,828
Total Authorities				18,097
Actual Spending				18,097
Net Cost of the Program				
Main Estimates				146,721
Planned Spending				149,529
Total Authorities				164,875
Actual Spending				152,077

Table 3 – Voted and Statutory Items

(thousands of dollars)

Vote		2006-2007			
		Total Main Estimates	Total Planned Spending	Total Authorities	Total Actual Spending
	Privy Council Office				
1	Program expenditures	130,714	113,173	135,698	**122,940**
(S)	The Prime Minister's salary and motor car allowance	150	150	150	**150**
(S)	President of the Privy Council – Salary and motor car allowance	73	73	74	**74**
(S)	Leader of the Government in the Senate – Salary and motor car allowance	73	73	73	**73**
(S)	Ministers without Portfolio or Ministers of State – Motor car allowance	16	0	5	**5**
(S)	Contributions to employee benefit plans	15,695	15,827	12,319	**12,319**
(S)	Spending of proceeds from the disposal of surplus Crown assets	0	0	40	**0**
	Total Department	**146,721**	**129,296**	**148,359**	**135,561**

Table 4 – Services Received Without Charge

	(thousands of dollars)
	2006-2007
Accommodation provided by Public Works and Government Services Canada (PWGSC)	10,847
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	6,007
Workers compensation coverage provided by Human Resources and Social Development Canada (HRSDC)	11
Salary and associated expenditures of legal services provided by Justice Canada	1,232
	18,097

Table 5 – Sources of Non-respendable Revenue

(thousands of dollars)

Non-respendable Revenue	Actual 2004-2005	Actual 2005-2006	2006-2007 Planned Revenue	2006-2007 Total Authorities	2006-2007 Actual
Support for Cabinet decision making and the legislative agenda					
Refunds of previous year's expenditures	7.1	4.3	4.0	2.1	2.1
Adjustments to prior year's payables	22.5	22.5	9.0	52.2	52.2
Proceeds from the disposal of surplus Crown assets	0.7	0.8	1.0	0.7	0.7
	30.2	27.6	14.0	55.0	55.0
Advice to the Prime Minister and ministers on issues, policies, machinery and appointments					
Refunds of previous year's expenditures	79.7	57.5	54.0	46.3	46.3
Adjustments to prior year's payables	252.9	301.5	88.0	605.0	605.0
Proceeds from the disposal of surplus Crown assets	7.6	9.2	15.0	8.0	8.0
Sale of statutory instruments pursuant to the Statutory Instruments Act	0.9	1.2	1.0	0.9	0.9
Sundries	0.3	0.7	0.5	0.5	0.5
Revenues pursuant to the Access to Information Act and Privacy Act	1.0	1.0	0.5	1.7	1.7
	342.3	371.1	159.0	662.4	662.4
Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda					
Refunds of previous year's expenditures	32.4	32.8	36.0	13.2	13.2
Adjustments to prior year's payables	102.8	113.7	25.0	254.2	254.2
Proceeds from the disposal of surplus Crown assets	3.1	3.8	6.0	3.3	3.3
Policy Research Initiatives conference	116.2	3.5	-	-	-
Sundries	0.3	0.6	0.5	0.4	0.4
Revenues pursuant to the Access to Information Act and Privacy Act	0.4	0.4	0.2	0.7	0.7
	255.2	154.8	67.7	271.8	271.8
As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians					
Refunds of previous year's expenditures	9.7	5.8	6.0	2.6	2.6
Adjustments to prior year's payables	30.7	30.5	3.0	93.2	93.2
Proceeds from the disposal of surplus Crown assets	0.9	1.1	2.0	1.0	1.0
Proceeds from sales	7.3	5.2	5.0	8.8	8.8
	48.6	42.6	16.0	105.6	105.6

Table 5 (Cont'd) – Sources of Non-respendable Revenue

(thousands of dollars)

Non-respendable Revenue	Actual 2004-2005	Actual 2005-2006	2006-2007 Planned Revenue	2006-2007 Total Authorities	2006-2007 Actual
Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support					
Refunds of previous year's expenditures	57.3	38.2	43.0	20.2	20.2
Adjustments to prior year's payables	182.0	180.6	34.0	421.2	421.2
Proceeds from the disposal of surplus Crown assets	5.5	6.7	10.0	5.8	5.8
Proceeds from sales	0.7	1.2	1.0	-	-
Revenues pursuant to the Access to Information Act and Privacy Act	0.7	0.7	0.3	1.2	1.2
	246.2	227.4	88.3	448.4	448.4
Commissions of inquiry, task forces and others					
Refunds of previous year's expenditures	-	3.0	-	-	-
Adjustments to prior year's payables	-	429.8	250.0	38.2	38.2
	0.0	432.8	250.0	38.2	38.2
Total Non-respendable Revenue	**922.6**	**1,256.4**	**595.0**	**1,581.3**	**1,581.3**

Table 6 – Resource Requirements by Branch

(thousands of dollars)

	2006–2007						
	Support for Cabinet decision making and the legislative agenda	Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	Provide commissions of inquiry with appropriate administrative support	Total
Office of the Prime Minister							
Planned Spending	0	0	0	0	17,535	0	17,535
Actual Spending	0	0	0	0	18,859	0	18,859
President of the Queen's Privy Council							
Planned Spending	0	0	0	0	3,123	0	3,123
Actual Spending	0	0	0	0	3,248	0	3,248
Leader of the Government in the Senate							
Planned Spending	0	0	0	0	1,952	0	1,952
Actual Spending	0	0	0	0	1,298	0	1,298
Leader of the Government in the House of Commons							
Planned Spending	0	0	0	0	5,147	0	5,147
Actual Spending	0	0	0	0	3,815	0	3,815
Leader of the Government in the House of Commons and Secretaries of State Salary and motor car allowance							
Planned Spending	0	0	0	0	0	0	0
Actual Spending	0	0	0	0	354	0	354
Secretariats and Advisors							
Clerk of the Privy Council and Secretary to the Cabinet							
Planned Spending	0	0	0	3,291	0	0	3,291
Actual Spending	0	0	0	4,259	0	0	4,259
Associate Secretary to the Cabinet							
Planned Spending	0	984	0	0	0	0	984
Actual Spending	0	1,099	0	0	0	0	1,099
Operations							
Planned Spending	1,825	13,970	0	0	0	0	15,795
Actual Spending	2,147	12,818	0	0	0	0	14,965
Plans and Consultation							
Planned Spending	0	1,356	19,798	0	0	0	21,154
Actual Spending	0	1,676	19,978	0	0	0	21,654
Counsel to the Clerk of the Privy Council							
Planned Spending	0	4,715	0	0	0	0	4,715
Actual Spending	0	4,251	0	0	0	0	4,251
Senior Personnel and Special Projects							
Planned Spending	0	0	0	4,623	0	0	4,623
Actual Spending	0	0	0	4,580	0	0	4,580
National Security Advisor							
Planned Spending	0	20,157	0	0	0	0	20,157
Actual Spending	0	18,269	0	0	0	0	18,269

Table 6 (Cont'd) – Resource Requirements by Branch

(thousands of dollars)

	2006-2007						
	Support for Cabinet decision making and the legislative agenda	Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	Provide commissions of inquiry with appropriate administrative support	Total
Machinery of Government							
Planned Spending	3,950	4,983	0	0	0	0	8,933
Actual Spending	3,249	4,423	0	0	0	0	7,672
Foreign and Defence Policy							
Planned Spending	0	4,630	0	0	0	0	4,630
Actual Spending	0	4,476	0	0	0	0	4,476
National Science Advisor							
Planned Spending	0	535	0	0	0	0	535
Actual Spending	0	389	0	0	0	0	389
Intergovernmental Affairs							
Planned Spending	0	8,268	5,170	0	0	0	13,438
Actual Spending	0	7,393	5,611	0	0	0	13,004
Commission of Inquiry into the Sponsorship Program and Advertising Activities							
Planned Spending	0	0	0	0	0	0	0
Actual Spending	0	0	0	0	0	1	1
Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar							
Planned Spending	0	0	0	0	0	3,284	3,284
Actual Spending	0	0	0	0	0	2,272	2,272
Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182							
Planned Spending	0	0	0	0	0	0	0
Actual Spending	0	0	0	0	0	10,080	10,080
Commission of Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin							
Planned Spending	0	0	0	0	0	0	0
Actual Spending	0	0	0	0	0	916	916
TOTAL							
Planned Spending	5,775	59,598	24,968	7,914	27,757	3,284	129,296
Actual Spending	5,396	54,894	25,589	8,839	27,574	13,269	135,561

Table 7 – Response to Parliamentary Committees, Audits and Evaluation

Office of the Auditor General of Canada

November 2006 http://www.oag-bvg.gc.ca/domino/reports.nsf/html/06menu_e.html

Chapter 1: Expenditure Management System at the Government Centre

In this chapter the Auditor General reviewed the role of central agencies in the management of government spending. Recommendations that included PCO related to regular review and assessment of ongoing programs, completeness and accuracy of financial and non-financial information available to decision makers, clarification of roles of the Privy Council Office, Treasury Board Secretariat and Finance, and the funding of programs with long-term financial requirements. The government responded that the issues raised by the Office of the Auditor General in this report were generally consistent with those that the government believes a new expenditure management system should address.

Response: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20061101ce.html

Chapter 11: Protection of Public Assets - Office of the Correctional Investigator

The former Correctional Investigator's and OCI managers' personal leave, absences, cash-out of annual leave (vacation leave), and travel and hospitality expense claims were examined to determine if they complied with the Financial Administration Act and applicable Treasury Board policies, and whether they were managed with prudence and probity. The recommendations that included PCO related to the recovery of any amount of money improperly paid out, establishment of accountability of the heads of small independent agencies on matters related to financial management and human resources management, advice and training for full-time Governor-in-Council appointees about their expected standards of conduct as holders of public office, monitoring of small, independent agencies, and guidelines on policies for full-time Governor-in-Council appointees regarding management and special leave and cash-out of annual leave. PCO is in the process of revising its Guide Book for Heads of Agencies, which sets out the role of heads of agencies with respect to operations, structures and responsibilities in the federal government, and amending the booklet entitled Terms and Conditions of Employment for Full-Time Governor-in-Council Appointees so that it will include a section on standards of conduct.

Response: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20061111ce.html

Chapter 12: Role of Federally Appointed Board Members - Sustainable Development Technology Canada

Auditors examined the governance of the foundation subsequent to a change made to the funding agreement that affected the role of those members of the Sustainable Development Technology Canada Board of Directors who were federally appointed. The recommendation which included PCO referred to clarification of the necessity to restrict the participation of federal government appointees to the Board of Directors of Sustainable Development Technology Canada in the decision-making process.

Response. http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20061112ce.html

February 2007 http://www.oag-bvg.gc.ca/domino/reports.nsf/html/07menu_e.html

Chapter 1: Advertising and Public Opinion Research
In this status report, the OAG audited advertising campaigns and public opinion research projects to see whether the departments administering them were exercising adequate management and control and whether changes made in response to the 2003 recommendations were effective. This included a review of the roles played by the Privy Council Office, the Treasury Board Secretariat, and Public Works and Government Services Canada (PWGSC). There was only one recommendation that involved PCO and it stated that departments should ensure that the required notification of planned research is provided to Public Works and Government Services Canada prior to contacting research firms.

Response: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20070201ce.html

Commissioner of the Environment and Sustainable Development

November 2006 http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c2006menu_e.html

Chapter 1: Managing the Federal Approach to Climate Change
This audit focused on the organization of the federal government to manage its climate change activities, its ability to report the costs and the results of its efforts, and the basis on which it developed key targets for reductions in greenhouse gas emissions. As well, the following aspects were reviewed: two new tools the government had chosen to help achieve its climate change objectives; readiness of the government to implement an effective domestic system for the trading of greenhouse gas emissions; and Sustainable Development Technology Canada, a foundation the government established in 2001. The AG's recommendation which included PCO related to the development and implementation of effective governance and accountability for the climate change issue within the federal government.

Response: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c20060901ce.html

Chapter 2: Adapting to the Impacts of Climate Change
Federal government strategies and action plans for adapting to and managing the impacts of climate change were examined. Also the auditors assessed whether the federal government had taken steps to obtain, analyse, and share the information needed to identify the potential impacts to which Canadians are exposed because of climate change. The recommendation which included PCO asked for the identification of the responsibilities and accountabilities of the federal departments and agencies that are to be involved in a federal adaptation effort.

Response: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c20060902ce.html

Internal Audit and Evaluation

As reported in the 2006-2007 Report on Plans and Priorities, PCO intended to complete and report on the following audits, which started in 2005-2006:

- Audit of information technology security at the Privy Council Office
- Examination of the management framework of commissions of inquiry's contribution programs
- Internal audit of the procurement and contracting services of the Privy Council Office

During this period, PCO was still receiving internal audit services from the Internal Audit and Evaluation Division at Finance Canada. Due to capacity issues, only the examination of the management framework of commissions of inquiry's contribution programs was completed and approved by the Audit and Evaluation Committee. At that time, a number of the recommendations made in the review had already been implemented for the current internal review and commission of inquiry. The audit of the information technology security at the Privy Council Office ended at the preliminary survey phase, since PCO was already in the midst of implementing a number of improvements that had resulted from two other recent studies done in PCO in the same area. Work was nearly completed on the audit on procurement and contracting services.

Preliminary work on a draft, multi-year risk-based audit plan was done in 2006-2007, which is being factored into the next stage of an integrated, fulsome multi-year internal audit planning exercise during 2007-2008. In the interim, authorization was given by the Audit and Evaluation Committee to proceed with specific audits for 2007-2008.

Section IV

Other Items of Interest

Financial Statements
for the Year Ended March 31, 2007

Privy Council Office
Financial Statements (Unaudited)

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007, and all information contained in these statements rest with departmental management. These statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are in accordance with the Financial Administration Act, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited.

Kevin G. Lynch
Clerk of the Privy Council and
Secretary to the Cabinet

Marilyn MacPherson
Assistant Deputy Minister
Corporate Services

Ottawa, Ontario
August 10, 2007

Privy Council Office
Statement of Operations (Unaudited)

for the year ended March 31, 2007

Expenses (Note 4)	**2007**	**2006** (Note 13)
	(in thousands of dollars)	
Support for Cabinet decision making and the legislative agenda	6,989	7,133
Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	64,806	77,091
Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	30,788	35,375
As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	7,305	10,091
Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	33,284	42,349
Provide commissions of inquiry with appropriate administrative support	13,538	16,334
Total Expenses	**156,710**	**188,373**
Revenues (Note 5)		
Support for Cabinet decision making and the legislative agenda	1	1
Advice to the Prime Minister and ministers on issues, policies, machinery and appointments	10	13
Provide Cabinet with sound advice on the development, coordination and implementation of the policy agenda	4	8
As its head, the Clerk leads the Public Service in effectively supporting Cabinet and serving Canadians	10	6
Provide the Prime Minister's Office and the offices of the portfolio ministers with financial and administrative support	7	9
Provide commissions of inquiry with appropriate administrative support	0	0
Total Revenues	**32**	**37**
Net Cost of Operations	**156,678**	**188,336**

The accompanying notes form an integral part of these financial statements.

Privy Council Office
Statement of Financial Position (Unaudited)

at March 31, 2007

Assets	2007	2006
	(in thousands of dollars)	
Financial assets		
Accounts receivable and advances (Note 6)	6,481	1,917
Total financial assets	**6,481**	**1,917**
Non-financial assets		
Prepaid expenses	696	209
Tangible capital assets (Note 7)	9,376	9,727
Total non-financial assets	**10,072**	**9,936**
Total	**16,553**	**11,853**
Liabilities and Equity of Canada		
Liabilities		
Accounts payable and other liabilities (Note 8)	20,120	19,540
Vacation pay and compensatory leave	7,864	5,328
Employee severance benefits (Note 9)	14,679	12,895
Total liabilities	**42,663**	**37,763**
Equity of Canada	**(26,110)**	**(25,910)**
Total	**16,553**	**11,853**

Contingent liabilities (Note 10)

Contractual obligations (Note 11)

The accompanying notes form an integral part of these financial statements.

Privy Council Office
Statement of Equity of Canada (Unaudited)

at March 31, 2007

	2007	2006
	(in thousands of dollars)	
Equity of Canada, beginning of year	**(25,910)**	**(26,452)**
Net cost of operations	(156,678)	(188,336)
Refund and adjustment of previous year expenditures	(1,548)	(1,297)
Revenue not available for spending	(32)	41
Services provided without charge by other government departments (Note 12)	18,097	22,427
	(140,161)	(167,165)
Current year appropriations used (Note 3)	135,561	162,317
Change in net position in the Consolidated Revenue Fund (Note 3c)	4,400	5,390
Equity of Canada, end of year	**(26,110)**	**(25,910)**

The accompanying notes form an integral part of these financial statements.

Privy Council Office
Statement of Cash Flow (Unaudited)

for the year ended March 31, 2007

	2007	2006
	(in thousands of dollars)	
Operating Activities		
Net cost of operations	156,678	188,336
Non-cash items:		
Amortization of tangible capital assets (Note 7)	(3,401)	(3,032)
(Loss) gain on disposal of tangible capital assets	0	(16)
Services provided without charge by other government departments (Note 12)	(18,097)	(22,427)
	(21,498)	(25,475)
Variation in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	4,564	(1,498)
Increase (decrease) in prepaid expenses	487	(563)
(Increase) decrease in liabilities:		
Accounts payable and accrued liabilities	(580)	5,472
Vacation pay and compensatory leave	(2,536)	(147)
Employee severance benefits	(1,784)	(1,784)
	151	1,480
Cash used by operating activities	**135,331**	**164,341**
Capital Investment Activities		
Acquisition of tangible capital assets (Note 7)	3,337	1,930
Net cost of tangible capital asset transfers	(120)	0
Work in Progress	(167)	180
Cash used by capital investment activities	**3,050**	**2,110**
Financing Activities		
Net cash provided by Government of Canada	**138,381**	**166,451**

The accompanying notes form an integral part of these financial statements.

Privy Council Office
Notes to Financial Statements (Unaudited)

for the year ended March 31, 2007

1. Authority and Objectives

The Privy Council Office (PCO) is a division of the Public Service of Canada as set out in column 1 of Schedule I.1 of the *Financial Administration Act* and reports to Parliament through the Prime Minister.

The Privy Council Office reports directly to the Prime Minister and is headed by the Clerk of the Privy Council and Secretary to the Cabinet. The Clerk is also the Head of the Public Service. The mandate of the Privy Council Office is to serve Canada and Canadians by providing the best non-partisan advice and support to the Prime Minister, ministers within the Prime Minister's portfolio and Cabinet. PCO's work requires close and continuous contact with other federal departments and agencies to support their ability to work effectively and to ensure overall consultation and coordination.

Commissions of inquiry established under the *Inquiries Act* are designated as departments under the *Financial Administration Act* and the Prime Minister is designated as the "appropriate Minister" under that same Act. PCO provides administrative and financial management support to commissions. In 2006-07, these commissions were supported by PCO: the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar, the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182 and the Commission of Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin (the Commission of Inquiry into the Sponsorship Program and Advertising Activities and Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar for 2005-06).

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. Significant accounting policies are as follows:

a) Parliamentary appropriations: The department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net Cash Provided by Government: The Privy Council Office operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Privy Council Office is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Privy Council Office. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

d) Revenues:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

e) Expenses are recorded on the accrual basis:

- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.

f) Employee future benefits:

i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The department's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. Current legislation does not require the Privy Council Office to make contributions for any actuarial deficiencies of the Plan.

ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.

g) Accounts receivables and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

h) Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) Tangible capital assets: All tangible capital assets having an initial cost of $5,000 or more are recorded at their acquisition cost. The capitalization of software has been done on a prospective basis from April 1, 2001. The Privy Council Office does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value. Work in progress is only amortized when the related projects are completed and their amortization is based on the estimated useful life of the asset. Amortization of capital assets is done on a straight line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Machinery and equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Motor vehicles	3 to 10 years
Other equipment	10 to 15 years

j) Measurement uncertainty: The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes these estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

k) Foreign currency transactions: Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31.

3. Parliamentary Appropriations

The Privy Council Office receives most of its funding through annual Parliamentary Appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Privy Council Office
Notes to Financial Statements (Unaudited)

for the year ended March 31, 2007

a) Reconciliation of net cost of operations to current year appropriation used:

	2007	2006
	(in thousands of dollars)	
Net cost of operations	156,678	188,336
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(3,401)	(3,032)
(Loss) Gain on disposal of tangible assets	0	(16)
Services provided without charge by other government departments	(18,097)	(22,427)
Prepaid expenses	696	(563)
Vacation pay and compensatory leave	(2,536)	(147)
Employee severance benefits	(1,784)	(1,784)
Accounts payable and accrued liabilities	15	(365)
Refund and adjustment of previous year expenditures	1,548	1,297
Revenue not available for spending	33	(41)
Other adjustments	(928)	(1,051)
	(24,454)	(28,129)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add:		
Acquisition of tangible capital assets	3,337	2,110
Current year appropriation used	**135,561**	**162,317**

b) Appropriation provided and used:

	2007	2006
	(in thousands of dollars)	
Vote - Operating expenditures	135,698	159,981
Statutory amounts	12,661	14,592
Less:		
Appropriations available for future years	(18)	(20)
Lapsed appropriations - Operating	(12,780)	(12,236)
Current year appropriation used	**135,561**	**162,317**

c) Reconciliation of net cash provided by Government to current year appropriation used:

	2007	2006
	(in thousands of dollars)	
Net cash provided by the Government	138,381	166,451
Refund and adjustment of previous year expenditures	1,548	1,297
Revenue not available for spending	32	(41)
	139,961	167,707
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(4,561)	1,498
Variation in prepaid expenses	209	563
Variation in accounts payable and accrued liabilities	596	(5,837)
Other adjustments	(644)	(1,614)
	(4,400)	(5,390)
Current year appropriation used	**135,561**	**162,317**

4. Expenses

The following table presents details of expenses by category:

	2007	2006
	(in thousands of dollars)	
Salaries and employee benefits	96,900	110,349
Professional and special services	20,926	31,907
Accommodation	13,244	14,176
Transportation and telecommunications	6,578	8,849
Acquisition of machinery and equipment	5,879	4,493
Information	3,886	5,856
Amortization of tangible and capital assets	3,401	3,032
Purchased repair and maintenance	2,683	4,029
Utilities, materials and equipment	1,617	1,768
Rental	703	1,984
Other expenses	485	1,037
Transfer payments	408	877
Loss on disposal of tangible assets	0	16
Total	**156,710**	**188,373**

5. Revenues

The following table presents details of revenues by category:

	2007	2006
	(in thousands of dollars)	
Gain on disposal of tangible assets	17	22
Regulatory fees	10	8
Miscellaneous revenues	4	7
Gain on foreign exchange	1	0
Total	**32**	**37**

6. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances by category:

	2007	2006
	(in thousands of dollars)	
Receivables from other federal government departments and agencies	6,057	1,693
Receivables from external parties	465	272
Employee advances	23	20
Sub-total	**6,545**	**1,985**
Less: allowance for doubtful accounts on external receivables	64	68
Total	**6,481**	**1,917**

7. Tangible Capital Assets

	Cost				Accumulated amortization				Net Book Value 2007	Net Book Value 2006
	Opening Balance	Acquisitions[1]	Disposals and write-offs	Closing Balance	Opening Balance	Amortization[2]	Disposals and write-offs	Closing Balance		
									(in thousands of dollars)	
Machinery and equipment	40	0	0	40	26	2	0	28	12	14
Informatics hardware	9,445	1,947	(150)	11,242	6,286	1,729	(17)	7,998	3,244	3,159
Informatics software	3,830	510	0	4,340	2,327	1,006	0	3,333	1,007	1,503
Other equipment	4,967	2,377	0	7,344	1,966	602	0	2,568	4,776	3,001
Motor vehicles	318	97	0	415	198	62	12	272	143	120
Work-in-progress - Software	67	95	(148)	14	0	0	0	0	14	67
Work-in-progress - Other	1,863	181	(1,864)	180	0	0	0	0	180	1,863
	20,530	**5,207**	**(2,162)**	**23,575**	**10,803**	**3,401**	**(5)**	**14,199**	**9,376**	**9,727**

1. Total acquisitions of $5,207,000 is comprised of regular acquisitions of capital assets ($3,337,000), capitalization and creation of new work-in-progress ($1,845,000), and a transfer from another department ($25,000).

2. Amortization expense for the year ended March 31, 2007, is $3,401,000 (2006 - $3,032,000).

8. Accounts Payable and Other Liabilities

The following table presents details of accounts payable and other liabilities:

	2007	2006
	(in thousands of dollars)	
Accounts payable to external parties	12,890	14,978
Accounts payable to other federal government departments and agencies	5,960	3,421
Other liabilities	920	776
Contingent liabilities (Note 10)	350	365
Total	**20,120**	**19,540**

9. Employee Benefits

a) Pension benefits: The Privy Council Office's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and are indexed to inflation.

Both the employees and the department contribute to the cost of the Public Service Pension Plan. The 2006-07 expense amounts to $9,079,000 ($10,800,000 in 2005-06), which represents approximately 2.2 times (2.6 in 2005-06) the contributions by employee.

The department's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

(b) Severance benefits: The Privy Council Office provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006
	(in thousands of dollars)	
Accrued benefits obligation, beginning of year	12,895	11,111
Expenses for the year	2,923	3,612
Benefits paid during the year	(1,139)	(1,828)
Accrued benefits obligation, end of year	**14,679**	**12,895**

10. Contingent Liabilities

Claims and litigations

Claims have been made against the Privy Council Office in the normal course of operations. Legal proceedings for claims totaling approximately $350,000 were still pending at March 31, 2007 ($365,000 in 2005-2006). Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

11. Contractual Obligations

The nature of the Privy Council Office's activities can result in large multi-year contracts and obligations whereby the department will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2008	2009	2010	2011	2012 and thereafter	Total
PRIVY COUNCIL OFFICE						
Transportation and telecommunications	425	5	0	0	0	**430**
Information	1,666	0	0	0	0	**1,666**
Professional and special services	5,007	36	0	0	0	**5,043**
Rental	588	620	425	318	399	**2,350**
Purchased repair and maintenance	407	166	2	4	0	**579**
Other	751	0	0	0	0	**751**
	8,844	827	427	322	399	**10,819**
COMMISSIONS OF INQUIRY						
Information	371	0	0	0	0	**371**
Professional and special services	6,646	0	0	0	0	**6,646**
Other	731	0	0	0	0	**731**
	7,748	0	0	0	0	**7,748**
Total	**16,592**	**827**	**427**	**322**	**399**	**18,567**

12. Related Party Transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Privy Council Office enters into transactions with these entities in the normal course of business and on normal trade terms.

Services provided without charge: During the year, the Privy Council Office received, without charge from other government departments, accommodation, the employer's contribution to the health and dental insurance plans, legal services and worker's compensation coverage. These services without charge have been recognized in the department's Statement of Operations as follows:

	2007	2006
	(in thousands of dollars)	
Accommodation	10,847	13,164
Employer's contribution to the health and dental insurance plans	6,007	6,243
Legal services	1,232	3,010
Worker's compensation coverage	11	10
Total	**18,097**	**22,427**

The government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Work and Government Services Canada, and audit services provided by the Office of the Auditor General, are not included as an expense in the department's Statement of Operations.

13. Comparative Information

For the year ended March 31, 2007, PCO redefined its program activities. As a result, comparative figures have been reclassified to conform with the new presentation.

14. Program Activity Structure

The 2006-2007 Financial Statements for the Privy Council Office were prepared based on the Treasury Board Secretariat reporting requirements for the program activities. As a result, charges for Corporate Services activities have been distributed between Program Activities.

List of Statutory Reports

Annual Report to the Prime Minister on the Public Service

Pursuant to section 47.1 of the Public Service Employment Act, the Clerk of the Privy Council, as Head of the Public Service, shall submit a report on the state of the Public Service each fiscal year to the Prime Minister. This report is then tabled in the House of Commons by the Prime Minister.

The Clerk's current *Annual Report to the Prime Minister on the Public Service of Canada* is available online at
http://www.pco-bcp.gc.ca/default.asp?Language=E&Page=clerk&Sub=AnnualReports

Annual Report to Parliament on the Access to Information Act

PCO submitted its annual report to Parliament on the administration of the Access to Information Act in the Privy Council Office. This report is required by section 72(1) of the Act.

Annual Report to Parliament on the Privacy Act

PCO submitted its annual report to Parliament on the administration of the Privacy Act in the Privy Council Office. This report is required by section 72(1) of the Act.

Legislation Administered

Prime Minister

Constitution Acts	
Conflict of Interest Act	2006, c.9, s.2
Governor General's Act	R.S. 1985, c.G-9, as amended
Inquiries Act	R.S. 1985, c.I-11, as amended
Ministries and Ministers of State Act	R.S. 1985, c.M-8
Public Service Rearrangement and Transfer of Duties Act	R.S. 1985, c.P-34
Royal Style and Titles Act	R.S. 1985, c.R-12
Royal Style and Titles (Canada) Act	1947, c.72 (see also R.S.C. 1970, c.12)
Salaries Act	R.S. 1985, c.S-3, as amended

President of the Queen's Privy Council for Canada

Canadian Transportation Accident Investigation and Safety Board Act	1989, c.3, as amended
Oaths of Allegiance Act	R.S. 1985, c.O-1
Royal Assent Act	2002, c.15

Leader of the Government in the House of Commons

Canada Elections Act	2000, c.9, as amended
Electoral Boundaries Readjustment Act	R.S. 1985, c.E-3, as amended
Parliament of Canada Act	R.S., 1985, c.P-1, as amended
Referendum Act	1992, c.30, as amended
An Act to amend the Canada Elections Act and the Income Tax Act	2004, c. 24, as amended.

Leader of the Government in the Senate

Federal Law-Civil Law Harmonization Act, No.2	2004, c.21
Highway 30 Completion Bridges Act	2005, c. 37

Further Information

General Inquiries and Publications	613-957-5153
Telephone device for the hearing impaired	613-957-5741
PCO Public Inquiries (email)	info@pco-bcp.gc.ca
Prime Minister	www.pm.gc.ca
Leader of the Government in the House of Commons	www.pco-bcp.gc.ca/lgc/
President of the Queen's Privy Council and Minister of Intergovernmental Affairs	www.pco-bcp.gc.ca/aia/
Leader of the Government in the Senate	www.pco-bcp.gc.ca/lgs/
Privy Council Office	www.pco-bcp.gc.ca
Speech from the Throne	www.sft-ddt.gc.ca
Orders-in-Council	www.pco-bcp.gc.ca/oic-ddc
Governor-in-Council Appointments	www.appointments-nominations.gc.ca
Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar	www.Ararcommission.ca
Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182	www.majorcomm.ca
Internal Inquiry into the Actions of Canadian Officials in Relation to Abdullah Almalki, Ahmad Abou-Elmaati and Muayyed Nureddin	www.iacobucciinquiry.ca

Public Appointments Commission Secretariat

2006-2007

Departmental Performance Report

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Section I
Overview

Management Representation Statement

I submit, for tabling in Parliament, the *2006-2007 Departmental Performance Report* (DPR) for the Public Appointments Commission Secretariat.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the TBS guidance;
- it is based on the Secretariat's approved Program Activity Architecture structure as reflected in its MRRS;
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Marilyn MacPherson
Assistant Deputy Minister
Privy Council Office

Summary Information

Strategic Outcome

To ensure fair and competency-based processes are in place for the recruitment and selection of qualified individuals for Governor-in-Council appointments across agencies, boards, commissions and Crown corporations.

The Public Appointments Commission and its Secretariat were established by Order in Council on April 21, 2006, prior to the passage and coming into force of the Federal Accountability Act. The Act received Royal Assent on December 12, 2006, and the provisions relating to the Public Appointments Commission came into force on that date. The Commission's mandate is to oversee and report on the selection process for Governor-in-Council appointments to agencies, boards, commissions and Crown corporations. The work of the Commission and its supporting Secretariat will help to ensure that appointments to public office are made according to fair and competency-based selection processes.

The Commission and its Secretariat are within the portfolio of the Prime Minister, reflecting the prerogative of the Prime Minister with respect to Governor-in-Council appointments.

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
0	1,040	633

Human Resources (full-time equivalents)

Planned	Authorities	Actual
0	4	4

Overall departmental performance

Since the establishment of the Secretariat in April of 2006, its key focus for 2006-2007 was laying the groundwork for the eventual establishment of the Public Appointments Commission. To that end, it engaged in a number of developmental activities.

Identification of issues related to the appointments process

Consultations and roundtables were held with a cross-section of departments, Crown corporations, agencies, boards and commissions to gather insight into the appointments process and to begin the dialogue on future elements of a Code of Practice that could be used to guide selection processes. A number of key considerations were identified and early thinking was formulated on basic principles.

Research into the development of a Code of Practice

Because the development and implementation of a Code of Practice for Governor-in-Council appointments were recognized as key deliverables for the Commission once established, the Secretariat researched best practices, conducted literature reviews and prepared advice to guide the future development and implementation of this tool. Consultations with federal departments, agencies, boards, commissions and Crown corporations, as well as with other levels of governments in Canada and abroad, were part of the research.

Building the organization

The Secretariat also worked on the establishment of its organizational structure. In particular, funding was obtained from Treasury Board and positions within the Public Appointments Commission Secretariat (PACS) were staffed.

Special project

Because of the unique expertise of the PACS, the Minister of Citizenship and Immigration asked that a review of the Immigration and Refugee Board selection process be undertaken. A report containing a number of recommendations was provided to the Minister in January 2007. Advice was also provided with respect to the selection process for citizenship judges.

Working environment and context

The Government committed to making qualified appointments to public office, in part through the implementation of a more open, transparent and competency-based selection process for Governor-in-Council appointments to agencies, boards, commissions and Crown corporations. To this end, the Federal Accountability Act provided for the establishment of a Public Appointments Commission.

The mandate of the Commission, as detailed in the Federal Accountability Act, is to oversee and report on selection processes for all Governor-in-Council appointments to agencies, boards, commissions and Crown corporations. In order to lay the groundwork for the establishment of the Commission, a Secretariat was created by Order in Council on April 21, 2006.

The Commission and its Secretariat are within the portfolio of the Prime Minister, reflecting the prerogative of the Prime Minister with respect to Governor-in-Council appointments.

Alignment of PACS outcome with Government of Canada outcomes

Canada's Performance Report to Parliament describes the federal government's contribution to Canada's performance as a nation by providing an overview of how individual departments and agencies contribute to broader, government-wide outcomes in the following key policy areas: economic affairs, social affairs, international affairs and government affairs (federal organizations that support all departments and agencies). The strategic outcome of the PACS is aligned with the Government of Canada outcome number four: "Government Affairs." The PACS plays an important, supportive role to ensure fair and competency-based processes are in place for the recruitment and selection of qualified individuals for Governor-in-Council appointments across agencies, boards, commissions and Crown corporations.

Section II
Analysis of Program Activity by Strategic Outcome

Analysis of Program Activity

The Public Appointments Commission Secretariat has one strategic outcome, described below, which in turn is supported by one Program Activity. The strategic outcome supports the overall plan to strengthen accountability in government as outlined in the Federal Accountability Act.

Strategic Outcome

To ensure fair and competency-based processes are in place for the recruitment and selection of qualified individuals for Governor-in-Council appointments across agencies, boards, commissions and Crown corporations.

Program Activity
Oversight of Governor-in-Council appointments

Financial Resources (thousands of dollars)

Planned Spending	Total Authorities	Actual Spending
0	1,040	633

Human Resources (full-time equivalents)

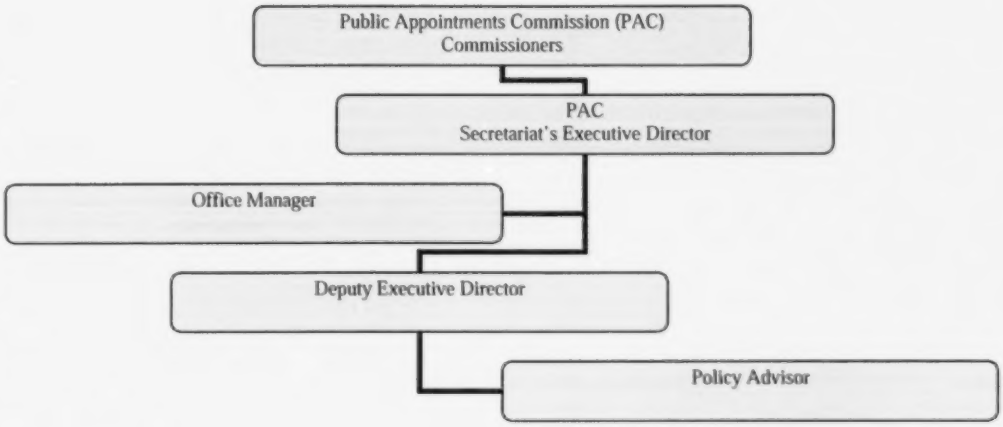
Planned	Authorities	Actual
0	4	4

This covers the activities relating to and including support to establish guidelines governing selection processes for Governor-in-Council appointments to agencies, boards, commissions and Crown corporations; approve the selection processes proposed by ministers to fill vacancies within agencies, boards, commissions and Crown corporations for which they are responsible; monitor, review and evaluate selection processes in order to ensure that they are implemented as approved; and submit an annual report, including recommendations to the Prime Minister on the Government's performance in following the guidelines, to be tabled before each House of Parliament.

All the work of the Public Appointments Commission Secretariat during 2006-2007 supported this Program Activity by ensuring the organization was well structured and prepared for the establishment of the Commission.

Section III
Supplementary Information

Organizational Information



Over the course of the year, the organization was fully staffed. However, as of April 2007 there were no personnel in the PACS, therefore, this year's Management Representation Statement was signed by PCO. The DPR was prepared by PCO staff, based on information from a variety of sources. Non-financial information was prepared from reports and presentations that were in the PACS files. PCO provided financial services to the PACS under a Memorandum of Understanding.

Tables

PACS departmental performance and resource utilization tables are presented using its strategic outcomes and Program Activity Architecture (PAA) developed in 2006-2007 to respond to the government-wide initiative led by the Treasury Board Secretariat.

In 2006-2007, the following financial tables were applicable to PACS operations:

Table 1	Comparison of Planned to Actual Spending (including FTEs)
Table 2	Resources by Program Activity
Table 3	Voted and Statutory Items
Table 4	Net Cost of Department

Table 1 - Comparison of Planned to Actual Spending (including FTEs)

(thousands of dollars)

Activities	Actual Spending 2004-2005	Actual Spending 2005-2006	2006-2007 Main Estimates	2006-2007 Planned Spending	2006-2007 Total Authorities	2006-2007 Actual Spending
Oversight of the Governor-in-Council appointments	0	0	0	0	1,040	633
Total Planned Spending	**0**	**0**	**0**	**0**	**1,040**	**633**
Plus: Cost of services received without charge	0	0	0	0	104	104
Net Cost of Department	**0**	**0**	**0**	**0**	**1,144**	**736**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**4**	**4**

Table 2 – Resources by Program Activity

(thousands of dollars)

Activity	2006-2007 Operating	Grants & Contributions	Total Gross Expenditures	Total Net Expenditures
Oversight of Governor-in-Council appointments				
Main Estimates	0	0	0	0
Planned Spending	0	0	0	0
Total Authorities	1,040	0	1,040	1,040
Actual Spending	633	0	633	633
Other expenditures				
Cost of Services Provided by Other Departments				
Main Estimates				0
Planned Spending				0
Total Authorities				104
Actual Spending				104
Net Cost of the Program				
Main Estimates				0
Planned Spending				0
Total Authorities				1,144
Actual Spending				736

Table 3 – Voted and Statutory Items

(thousands of dollars)

Vote		2006-2007 Total Main Estimates	Total Planned Spending	Total Authorities	Total Actual Spending
	Privy Council Office				
23b	Program expenditures	0	0	986	578
(S)	Contributions to employee benefit plans	0	0	54	54
	Total Department	**0**	**0**	**1,040**	**633**

Table 4 - Net Cost of Department

(thousands of dollars)

	2006-2007
Total Actual Spending	**633**
Plus: Services Received without Charge	
Accommodation provided by the Privy Council Office (PCO)	67
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	37
Workers compensation coverage provided by Human Resources and Social Development Canada (HRSDC)	0
Salary and associated expenditures of legal services provided by Justice Canada	0
	104
2006-2007 Net Cost of Department	**737**

Section IV
Other Items of Interest

Financial Statements
for the Year Ended March 31, 2007

Public Appointments Commission Secretariat
Financial Statements (Unaudited)

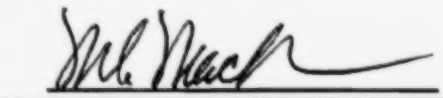
Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with departmental management. These statements have been prepared by management of Privy Council Office on behalf of management of Public Appointments Commission Secretariat in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management of PCO on behalf of management of PACS is responsible for the proper recording of the financial information and the proper reporting of that information in these financial statements. Some of the information in the financial statements is based on management's of PCO on behalf of management of PACS best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management of PCO on behalf of management of PACS maintains a set of accounts that provides a centralized record of the Public Appointments Comission Secretariat's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Public Appointments Commission Secretariat's *Departmental Performance Report* is consistent with these financial statements.

Management of PCO on behalf of management of PACS maintains complete, proper and accurate books of accounts and records, designed to provide reasonable assurance that financial information is reliable and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds.

The financial statements of the Public Appointments Commission Secretariat have not been audited.



Marilyn MacPherson
Assistant Deputy Minister
Corporate Services

Ottawa, Ontario
August 10, 2007

Public Appointments Commission Secretariat
Statement of Operations (Unaudited)

for the year ended March 31, 2007

Expenses	2007
	(in thousands of dollars)
Oversight of Governor-in-Council appointments	
Salaries and employee benefits	654
Professional and special services	76
Accommodation	67
Transportation and telecommunication	33
Other expenses	5
Utilities, materials and equipment	5
Rental	3
Total Expenses	**843**
Net Cost of Operations	**843**

The accompanying notes form an integral part of these financial statements.

Public Appointments Commission Secretariat
Statement of Financial Position (Unaudited)

at March 31, 2007

Liabilities and Equity of Canada	2007
	(in thousands of dollars)
Liabilities	
Accounts payable to other federal government departments and agencies	54
Vacation pay and compensatory leave	25
Employee severance benefits (Note 4)	82
Total liabilities	**161**
Equity of Canada	**(161)**
Total	**0**

Contractual obligations (Note 5)

The accompanying notes form an integral part of these financial statements.

Public Appointments Commission Secretariat
Statement of Equity of Canada (Unaudited)

at March 31, 2007

	2007
	(in thousands of dollars)
Equity of Canada, beginning of year	0
Net cost of operations	(843)
Services provided without charge by other government departments (Note 6)	103
Current year appropriation used (Note 3)	633
Change in net position in the Consolidated Revenue Fund (Note 3)	(54)
Equity of Canada, end of year	**(161)**

The accompanying notes form an integral part of these financial statements.

Public Appointments Commission Secretariat
Statement of Cash Flow (Unaudited)

for the year ended March 31, 2007

	2007
	(in thousands of dollars)
Operating Activities	
Net cost of operations	843
Non-cash items:	
Services provided without charge by other government departments (Note 6)	(103)
Variation in Statement of Financial Position:	
(Increase) decrease in liabilities:	
Accounts payable to other federal government departments and agencies	(54)
Vacation pay and compensatory leave	(25)
Employee severance benefits	(82)
	(161)
Cash used by operating activities	**579**
Capital Investment Activities	0
Financing Activities	0
Net cash provided by Government of Canada	**579**

The accompanying notes form an integral part of these financial statements.

Public Appointments Commission Secretariat
Notes to Financial Statements (Unaudited)

for the year ended March 31, 2007

1. Authority and Objectives

The Public Appointments Commission Secretariat (PACS) was established by Order in Council on April 21, 2006. The Secretariat was created to prepare the ground for the establishment of the Public Appointments Commission, whose mandate is described in the Federal Accountability Act.

The Commission and its Secretariat are within the portfolio of the Prime Minister, reflecting the prerogative of the Prime Minister with respect to Governor-in-Council appointments.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector. Significant accounting policies are as follows:

a) Parliamentary appropriations: The department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net cash provided by government: The Public Appointments Commission Secretariat operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Public Appointments Commission Secretariat is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Public Appointments Commission Secretariat. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

d) Expenses are recorded on the accrual basis:

- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.

e) Employee future benefits:

i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Public Appointments Commission Secretariat to make contributions for any actuarial deficiencies of the Plan.

ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

f) Measurement uncertainty: The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes these estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Public Appointments Commission Secretariat receives most of its funding through annual Parliamentary Appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to current year appropriation used:

	2007
	(in thousands of dollars)
Net cost of operations	843
Adjustments for items affecting net cost of operations but not affecting appropriations:	
Add (Less) :	
Vacation pay and compensatory leave	(25)
Services provided without charge by other government departments	(103)
Employee severance benefits	(82)
Current year appropriation used	**633**

b) Appropriation provided and used:

	2007
	(in thousands of dollars)
Vote - Operating expenditures	986
Statutory amounts	54
Less:	
Appropriations available for future years	0
Lapsed appropriations - Operating	(407)
Current year appropriation used	**633**

c) Reconciliation of net cash provided by Government to current year appropriation used:

	2007
	(in thousands of dollars)
Net cash provided by the Government	579
Change in net position in the Consolidated Revenue Fund	
Variation in accounts payable and accrued liabilities	54
Current year appropriation used	**633**

4. Employee Benefits

a) Pension benefits: The Public Appointments Commission Secretariat's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and are indexed to inflation.

Both the employees and the department contribute to the cost of the Public Service Pension Plan. The 2006-07 expense amounts to $39,920 which represents approximately 2.2 times the contributions by employee.

The department's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

(b) Severance benefits: The Public Appointments Commission Secretariat provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007
	(in thousands of dollars)
Accrued benefits obligation, beginning of year	0
Expenses for the year	82
Benefits paid during the year	0
Accrued benefits obligation, end of year	**82**

5. Contractual Obligations

The nature of the Public Appointments Commission Secretariat's activities can result in large multi-year contracts and obligations whereby the department will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2008	2009	2010	2011	2012 and thereafter	Total
Rental	2	3	0	0	0	5
Total	**2**	**3**	**0**	**0**	**0**	**5**

6. Related Party Transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Privy Council Office enters into transactions with these entities in the normal course of business and on normal trade terms.

Services provided without charge: During the year, the Public Appointments Commission Secretariat received, without charge from other government departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as follows:

	2007
	(in thousands of dollars)
Accommodation	67
Employer's contribution to the health and dental insurance plans	36
Total	**103**

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the department's Statement of Operations.

Legislation Administered

Salaries Act SS.1.1, 1.2